

COLLIERS INTERNATIONAL

# Worldwide Leasing Guidelines



A Comprehensive Review of Real Estate Practices Around the Globe





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## CONTENTS

Argentina.....	1	Mexico.....	58
Australia.....	3	Montenegro.....	60
Austria.....	6	The Netherlands.....	62
Belgium.....	7	New Zealand.....	64
Brazil.....	9	Norway.....	66
Bulgaria.....	10	Pakistan.....	67
Canada.....	13	Peru.....	68
Chile.....	15	Philippines.....	70
China.....	16	Poland.....	71
Colombia.....	18	Portugal.....	72
Croatia.....	20	Qatar.....	73
Czech Republic.....	22	Romania.....	74
Denmark.....	24	Russian Federation.....	76
Estonia.....	26	Saudi Arabia.....	78
Finland.....	28	Serbia.....	80
France.....	30	Singapore.....	82
Germany.....	32	South Africa.....	84
Greece.....	34	South Korea.....	86
Hong Kong.....	36	Spain.....	88
Hungary.....	38	Sweden.....	90
India.....	39	Switzerland.....	91
Indonesia.....	42	Taiwan.....	93
Ireland.....	44	Thailand.....	95
Israel.....	46	Turkey.....	97
Italy.....	48	Ukraine.....	99
Japan.....	50	United Kingdom.....	101
Latvia.....	52	United States of America.....	104
Lithuania.....	54	Vietnam.....	108

For further information, please contact Ross Moore, Executive Vice President, Market and Economic Research at [ross.moore@colliers.com](mailto:ross.moore@colliers.com).

## Worldwide Leasing Guidelines

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Colliers International  
USA Headquarters  
50 Milk Street, 20th Floor  
Boston, MA 02109 USA

Tel +1 617 722 0221  
Fax +1 617 722 0224

[www.colliers.com](http://www.colliers.com)

## THE LEASE

### *How long are leases generally?*

Typically, leases today range three to five years in duration. Some ten-year leases are now being written in Class A buildings. Longer lease terms are very rare and only come about as a result of a sale lease – back situation.

### *What form of agreement would the tenant be asked to sign?*

A tenant would be asked to sign a private leasing contract, which is legally binding to both parties. The standard form ninety percent of the time is the landlord's standard lease form. In Buenos Aires, only the lease is negotiated and not the customary offer stage that is used in the US and Canada. The French system is based on civil code numbers and not case law as in the British law system. The simplified document makes reference to the articles of the civil code and as a result the negotiations are limited between the lawyers.

### *Is the lease legally binding?*

A lease is a legally binding document and as such the tenant undertakes its obligation for the full term entered into.

### *Are options to renew or extend the lease possible?*

It is legal to extend the lease. However, it has to be negotiated by both parties.

### *Can the tenant secure options to renew or extend the lease?*

It is legal to extend the lease. However, it has to be negotiated by both parties.

### *What regulations cover sub-leasing or assigning of leases?*

The lease may confer upon the tenant the right to assign or sublease. However, this is usually subject to the landlord's consent, which normally cannot be unreasonably withheld. Certain instances with absolute prohibition against assignment or subletting may be created.

### *What documents are needed to complete a lease transaction?*

- An executed lease between landlord and tenant.
- A copy of the Tenants Incorporation (Escriture de constitucion y Estatutos) in Buenos Aires.
- A copy of the companies audited financial statements.
- A copy of the authorization indicating whom the representative is for signing documents (Power of Attorney).
- Guarantor – someone or some entity that owns property in Capital Federal that can act as a guarantor (“guarantee”). In addition, the guarantor must show proof of ownership and proof of no encumbrances of their ownership.
- Security deposit (“deposito de garantia”) certain landlords accept bondings instead of a security deposit. The bonding is issued by a local bank or bonding company. The fee for the bonding ranges from 2% to 5% of the annual gross rent.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are quoted in both Pesos (Argentine currency) and US dollars per square meter per month. Typically most of the leasing contracts are quoted in US dollars. There are 10.76 square feet in one square meter. The current exchange is 0,999 Pesos for each US dollar. Office space can also be purchased in Buenos Aires.

### *When referring to rent, what does this specifically include and what additional charges is the tenant responsible for?*

To the landlord:

- Base rent to the landlord
- Maintenance Expenses (common area expenses outside the tenants leased premises, security, air-conditioning during normal operating hours).
- Realty Taxes (called ABL – Alumbrado, Barrido y Limpieza – is a fixed sum calculated by the Municipality paid every two months).
- Water Expenses (called Aguas Argentinas, is a fixed sum paid every two months).
- Parking Expenses (paid on monthly basis in addition to the base rent).

Additional charges the tenant pays:

- Electricity Expenses (separately metered per tenant, payment based on usage).
- Telephone Expenses (billed directly from the telephone company).
- Janitorial Services (for the interior of the tenant's premises, tenant makes own arrangements).
- After hour air-conditioning service to the tenants premises (available only in Class A buildings.)

### *How is rent adjusted during the term of the lease?*

At present, rent is not adjusted in Argentina. This is due to inflation being below and to the fact that contract currency is US dollars.

### *How is rent paid – monthly, annually?*

The rent is paid on a monthly basis, usually in advance at the landlord's address or the landlord may collect the rent as a courtesy collection service.

### *What incentives are offered by the landlord?*

In the past, incentives were not generally offered, however, in today's market after the crisis there has been some change in attitudes allowing more flexibility in negotiations, however, landlords are still not accustomed to granting many leasing incentives.

The rental rate is the one item that has shown the most flexibility, as there are not too many other incentives. Some free rent can be negotiated as well. Landlords typically do not provide tenant improvement allowances. The space is delivered in shell condition with the services provided at one entry point and it is up to the tenant to distribute the services. Today some landlords will provide the ceiling system as part of the rent. Another item that is negotiated is to include a certain number of parking spaces in the rent.

## FACILITIES

### *How is floor space measured?*

Definitions:

- Area de Alfombra: Net office area
- Area propia: Net office area plus toilets, lobbies, plant rooms, corridors for exclusive use of the tenant.
- Area comun: Common areas, i.e.: entrance halls, stairs, corridors, etc.

Commercial office accommodation is normally measured considering the “Propia” area. Entrance halls, stairs, corridors, maintenance rooms and washrooms are excluded when they are common areas for any other tenants. Rentable area is measured as “Propia” area.

### *What is generally provided by the landlord prior to occupation of the space?*

In general, office space is offered in an “AS IS” condition at the time of the closing. This generally means that the premises are in the condition it was left by the previous tenant. Landlords of new buildings will offer the space in a raw shell form, i.e. concrete floor and ceiling with the services supplied to the premises but not distributed throughout. However, Class A buildings are delivered with full service false ceiling system.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

The tenant can expect to incur the following costs prior to taking occupancy of the premises:

- Two months’ gross rent as a security deposit, held until the termination of the lease.
- One-month gross rent for the first month rent due.
- Security deposit is required as collateral for companies without property in Buenos Aires.

### *Is key money charged or a security deposit required at the start of the lease?*

No, it is not common practice to ask for key money in leasing office space. Sometimes landlords ask for key money if substantial leasehold improvements are in place.

### *How are tenant improvements specified, paid for and supervised?*

It is common practice for the landlord to approve any important alterations to the premises, which have to be paid by the tenant. As in almost any other condition, tenant improvements are also subject to negotiation.

### *What additional costs should the tenant budget for during the term of the lease?*

There are no additional costs that the tenant has to budget for during the period of the lease.

### *What costs are the tenants responsible for at the end of the lease?*

The tenant is responsible for repairing any damage to the premises that may have happened during the term of the

lease. If improvements are made in the leased premises without the approval of the landlord, the landlord may ask the tenant to remove the improvements at the tenants cost. At the termination of the lease the improvements become the property of the landlord.

### *How can tenant improvements be financed today?*

Generally, these are arranged and paid for by the tenant. On some occasions, the tenant pays for the improvements and the amount paid is taken into account for the next rent, especially when the improvements are necessary as a result of bad building conditions or when they are beneficial to the landlord.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

Yes, it is common to find small-furnished office space in a shared office suites concept.

### *Is leasing the only option for foreigners wishing to establish an office in your country?*

No.

### *Are there restrictions on foreign ownership of commercial buildings in your country?*

Foreign ownership is regulated by the requirement that all investments must be permissible according to municipal regulations.

## THE LEASE

### *How long are leases generally?*

Depending on the supply and demand situation from city to city, office leases generally are not less than three years nor more than twenty years. The average lease term in most Australian cities is five to ten years.

### *What form of agreement would the tenant be asked to sign?*

Each building has a standard lease document. Although drafted individually, these documents are generally similar and reflect market conditions.

Lease terms of over three years for office space are registered on the landlord's title in some states and in the case of mortgaged property, should be approved by the mortgage. It is customary and strongly recommended that you engage a solicitor to advise you regarding the lease.

In the case of a building under construction or to be built, it is usual to enter into an agreement for lease with the lease attached. An agreement for lease would include such items as the proposed date of practical completion, specifications of the landlord's work, guidelines for the tenant's fit-out, etc.

Car parking spaces, whether designated or used in valet parking, are usually covered by a license agreement on a month-to-month basis. In most cases it is possible to ensure that a certain number of spaces are attached to the office space leased and that the landlord agrees to allow the tenant these spaces during the term of the lease. Any agreement is subject to the landlord's other rights in the license, which generally include the ability to change the location of the spaces and, of course, review license fees.

Car parking is subject to planning restrictions in most major cities in Australia, therefore is relatively tight. However, car-parking facilities may be found in most buildings where space is being leased.

### *Is the lease legally binding?*

The lease is a legally binding document.

### *Are options to renew or extend the lease possible?*

Depending on the landlord's policy and the state of the market, the option to renew or extend the lease is possible. However, as a general rule, options are resisted by landlords, because it is more advantageous to landlords to sign a new lease. In any case, the rent is reviewed to market value at the time options are exercised. Options are also generally assignable as a part of the lease. In the case of new space for which there is a strong demand, options are not offered as an incentive.

### *What regulations cover subleasing or assigning of leases?*

Most landlords allow tenants the right to assign or sublet to another tenant of good standing. Unless the landlord agrees, which he is not bound to unless specifically mentioned in the lease, the tenant remains responsible for the terms and conditions of the lease following assignment or subletting. Legislation covering leasing of property may vary slightly from state to state.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are quoted in Australian Dollars per square meter per year.

### *When referring to rent, what does this specifically include?*

Rent generally includes all landlords' services such as air conditioning during normal business hours, lift operating costs, building insurance and maintenance, security, local rates and property taxes. It does not include cleaning, power for a tenant's lighting, car parking, after hours air conditioning, a tenant's public liability insurance, redecorating during the lease term or reinstatement costs.

Rates are levied by the local government authority in each city, based on the net annual value of the building. Service charges are also calculated based on the net annual value of the building. Property taxes, generally restricted to land tax, are levied by the State, for example New South Wales or Queensland, and are based on the value of the site. This charge varies among the different States in Australia.

There is a general trend toward net leases, under which the rent and outgoings would be paid separately.

### *How is rent adjusted during the term of the lease?*

An increase in the charge for outgoings or expenses, made on a proportional basis, is usually billed at the end of the accounting year, which is generally the Australian financial year ending June 30th. In the majority of cases, rent is reviewed or re-assessed annually by a fixed percent or based on CPI (Consumer Price Index) reflecting a cost of living increase. A market value review will generally occur at the end of a lease term. There are other issues that may arise and it is recommended that a qualified advisor be consulted.

Outgoings are included in the base rent and are assessed according to expenses for the preceding year for space that has been leased previously and the first operating year for new buildings. In some cases, the landlord or managing agent will calculate the expected increases in operating costs and make a provisional monthly charge, which is offset against the final figure. Cleaning costs are paid monthly as additional rent and are adjusted at any time depending upon actual costs. Car parking rates are generally adjusted on a more frequent basis.

### *How is rent paid – monthly, annually?*

Generally rent is paid monthly in advance, usually without formal demand. Most leases specify that if the rent is not paid within 14 days of the due date, the tenant is in breach of his lease and interest is incurred.

### *What incentives are offered by the landlord?*

Depending upon the strength of the tenant's credit rating, as perceived by the landlord, the length of the lease the tenant is prepared to sign, the tenant's desirability in terms of attracting other tenants or the amount of space the tenant intends to lease, incentives may include a rent free period, takeover of existing leases, identification or signage display rights, additional time to fit-out, fitting-out allowances and time to find tenants for excess space pending expansion.

## WORLDWIDE LEASING GUIDELINES

There are no hard and fast rules governing incentives and conditions vary enormously. Tenants should also be wary of the taxation implications of taking incentives in certain forms. For example, if a tenant receives a cash incentive, then it is taxable, but free rent periods and the landlord's contribution to fit-out, if the landlord retains ownership of the premises, are not taxable. It is recommended that an accountant be consulted regarding this issue.

## FACILITIES

### *How is floor space measured?*

Space is measured on a net internal basis. For example, in a typical whole floor lease, the total space is measured from the inside of the glass line on the external wall and excludes toilets, ducts, stairways, tea rooms, which are small rooms generally fitted with a sink, cupboards, and room for a refrigerator, lifts and the space between the lifts if they face each other. Internal columns are included in the measurement.

In partial floor lettings, the space is measured as the area enclosed by the tenancy walls.

### *What is generally provided by the landlord prior to occupation of the space?*

Most buildings are carpeted by the landlord and are also provided with suspended ceilings, light fittings, painted or papered walls and often come with curtains or venetian blinds and a ducted skirting with power points. It is unusual to find premises with an under floor ducted electrical system.

Those contemplating sophisticated electronic equipment should check carefully to ensure that adequate power supplies are available at appropriate points, otherwise, large initial costs can be incurred. Most landlords supply a comprehensive specification of what they are providing and if not, they should be asked to do so.

Apart from toilets and tea rooms, which are generally on every floor, the landlord will usually indicate where the plumbing outlets are for the positioning of individual toilets and kitchens, the installation of which is usually charged to the tenant.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

It is customary for tenants to pay the stamp duty legal fees incurred and paid by each party respectively. Stamp duty is a tax, based on the total rent for the lease for the duration of the lease term, and is charged by the State. The fee paid varies by State.

### *Is key money charged or a security deposit required at the start of the lease?*

In the case of new space, it is not common practice to charge a significant up-front payment. If a private company or professional firm is leasing space, guarantees by directors, partners or third parties, such as a bank or parent company, are usual.

### *How are tenant improvements specified, paid for and supervised?*

There are specialist firms of space planners and interior design architects which will prepare layouts, arrange contractors for partitioning and service extensions, provide graphics and furniture and have these approved by the landlord and the Planning Authority. In order to begin tenant improvement work, the Local Council must rule that the proposed work is in accordance with Building Regulations. Local Council approval is now relatively quick, as the process has been substantially privatized.

It is advisable to engage a space planner early in the search. Some major buildings will provide an initial space planning service without charge or obligation to the tenant together with an estimate of fitting-out costs, which usually involve furniture, and removal costs.

In cases where the tenant finances the fit-out and the purchase of furniture, many tenants raise a loan from a bank secured on the asset and possibly further collateral in order to preserve working capital. This means that the depreciation allowances for tax purposes are retained by the tenant who continues to own the assets. The allowances can vary from year to year and from item to item.

Leasing the fit-out is very common in Australia. There are sophisticated techniques available from banks, merchant banks and finance companies designed to suit the tenant's requirements in regard to residuals or in some cases nil residuals. The leasing costs reflect the depreciation allowances the leasing company enjoys as owner of the assets. It is advisable to consult a firm of chartered accountants, which can provide appropriate advice as to the full range of options and the best method.

In many cases, the landlord will arrange the fit-out and add the cost to the rent. The improvements then belong to the landlord.

### *What additional costs should the tenant budget for during the term of the lease?*

Tenants are obligated by the lease to redecorate and generally maintain the premises in addition to the other costs described above.

### *What costs are the tenants responsible for at the end of the lease?*

Modern leases, especially in better quality buildings, require that the tenant leave the premises in good order and repair. As obligations vary in particular cases, legal advisors should be consulted regarding the extent of a tenant's responsibilities.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

For an organization, which needs to set up a new business or branch immediately, the serviced office concept is appropriate. Typically these offices are in prestigious buildings with a common reception area. Business services are usually provided.

*Is leasing the only option for foreigners wishing to establish an office in your country?*

No, foreigners may also purchase property.

*Are there restrictions on foreign ownership of commercial buildings in your country?*

Foreign Investment Review Board (FIRB) approval is required if a foreign company wishes to purchase an existing commercial premises valued at more than A\$5 million.

Space may be built for owner occupation without approval. The procedure for purchasing property is more complicated if the property is not to be owner occupied. In general, the Government encourages foreign companies to establish operations in Australia, therefore will provide assistance with the application process.

## THE LEASE

### *How long are leases generally?*

As a guideline, a lease covers a period of five to ten years.

### *What form of agreement would the tenant be asked to sign?*

Tenants are required to sign a binding legal document that is enforceable by the Austrian authority. The lease is registered at the Ministry of Finance.

### *Is the lease legally binding?*

A lease is registered and becomes legally binding for all parties involved.

### *Are options to renew or extend the lease possible?*

Three or five-year contract: in most cases options for three or five years more.

Ten-year contract: in most cases no options.

### *What regulations cover sub-leasing or assigning of leases?*

If a tenant wishes to sub-let a portion of the premises or wishes to assign the lease, he must obtain the written approval of the landlord. In both instances, the tenant remains responsible for the rented space, as well as for all the clauses of the contract and charges, until the end of the lease.

## RENTAL

### *In what monetary units are rents quoted?*

Rent is quoted in Euro (€) per sqm/month/net.

### *When referring to rent, what does this specifically include?*

Rent is quoted on a net basis, the base amount that a tenant pays for his rentable space. In most cases, separate base rents are quoted for the office space, parking spaces and any storage space that the tenant leases.

### *How is rent adjusted during the term of the lease?*

Rents annually increase in accordance with the pursuant consumer index, which is published annually by the government.

### *How is rent paid – monthly, annually?*

Rent in Austria is payable per month, in advance.

### *What incentives are offered by the landlord?*

Depending on market conditions and lease term, the landlord may offer incentives such as a rent-free period or partitioning according to the tenant's wishes.

## FACILITIES

### *How is floor space measured?*

In Austria, a tenant rents all buildable space with the exception of the building's structural and mechanical core elements and access routes to the building, such as staircases and elevators.

### *What is generally provided by the landlord prior to occupation of the space?*

The landlord generally provides carpet, lightweight walls, ceilings, lighting and empty tubing for IT-wiring. The landlord is responsible for building insurance and structural repairs.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

The tenant's costs at the time of occupation are primarily IT-wiring, and installing telephones.

### *Is key money charged or a security deposit required at the start of the lease?*

At the start of the lease three-months' gross rent is required as a security deposit; bank guarantees are also accepted.

### *How are tenant improvements specified, paid for and supervised?*

The conditions for tenant improvements are included in the original contract, sometimes by amendments. The landlord must approve any tenant improvements. Fire inspectors and other local authorities might also be involved, if the type of improvement to be made warrants their interest. Often the landlord will finance some of the tenant improvement costs, then recover the investment through higher rent.

### *What additional costs should the tenant budget for during the term of the lease?*

The tenant should budget for the escalation of standard maintenance costs for the term of the lease, as well as electricity and telephone charges for the space. Service charges, which are paid each month in advance, will not increase during any given year of the lease. At the end of each year, the landlord will calculate the actual costs of the services compared to the charges the tenant paid and refund money as needed.

### *What costs is the tenant responsible for at the end of the lease?*

The tenant is responsible for restoring the premises to a good state of repair.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

Service accommodations, which provide two to three rooms, are available for short periods of time. If a tenant also requires secretarial assistance, telephone and fax service, tenancy in a specialized office firm would be the best option.

### *Is leasing the only option for foreigners wishing to establish an office in your country?*

Leasing is the most common method of establishing an office, but buying is also possible.

### *Are there restrictions on foreign ownership of commercial buildings in your country?*

No restrictions.

## THE LEASE

### *How long are leases generally?*

As a guideline, a lease covers a period of nine years. However, both the tenant and the landlord have a chance to end the lease contract after the first three years and then again at six years. In general, a registered letter is mailed out to the other party as an official notification six months prior to the expiry date. The break clauses can be dropped from the rental contract for the benefit of either party. This is usually done in case the landlord or the tenant completes major renovations or transformation work for which they need time for depreciation.

### *What form of agreement would the tenant be asked to sign?*

Tenants are required to sign a binding legal document that is enforceable by the tribunals of Brussels or other appropriate legal authority throughout Belgium. In signing the lease, the tenant waives some rights for recourse from the landlord, with the exception of cases of malevolence. Lease agreements have to be registered and are subject to a registration duty. The lease is registered at the Ministry of Finance, Bureau de L'Enregistrement. For a normal three, six, or nine year lease, the cost of registration is 0.2% of the rent paid over nine years.

### *Is the lease legally binding?*

A lease is registered and becomes legally binding for all parties involved and for all third parties.

### *Are options to renew or extend the lease possible?*

Tacit renewal clauses are very rare because then the lease contract is officially considered to be longer than nine years, in which case the intervention of a solicitor is required. This intervention is an additional cost for the tenant. In particular instances, it is possible to secure an extension. Factors that might allow an extension include first refusal right or payable or free options. First refusal right means that the tenant must be informed if the landlord has another party interested in the space and is given a pre-agreed period of time in which to respond. Option means that the tenant is given a period of time in which to decide whether or not to rent the space.

### *What regulations cover sub-leasing or assigning of leases?*

If a tenant wishes to sublet a portion of the premises or wishes to assign the lease, he must obtain the written approval of the landlord. In both instances, the tenant remains responsible for the rented space, as well as for all the clauses of the contract and charges, until the end of the lease.

## RENTAL

### *In what monetary units are rents quoted?*

Rent is quoted in Euros (€) per annum on a square metre basis.

### *When referring to rent, what does this specifically include?*

Rent is quoted on a net basis, the base amount that a tenant pays for his rentable space. In most cases, separate base rents are quoted for the office space, parking spaces and any storage space that the tenant leases. Car parking spaces are generally found in the building in which space is being leased

or adjacent to it. In addition, tenants are responsible, on a pro rata basis, for the following:

- All common area maintenance (CAM) charges, including water and electricity usage, maintenance of elevators, maintenance of other parts of the interior and exterior of the building, insurance, security and other service charges, including building management.
- All costs necessary to maintain the leased premises, including heating and air-conditioning.
- All duties and taxes.

### *How is rent adjusted during the term of the lease?*

Rents are subject to revision every year on the anniversary of the date of commencement of the lease, in accordance with variations in the health index, which is published monthly by the government. The rent increase is usually calculated as follows:  $(L \times I) / A$ , where L = base rent, A = index of the month preceding the execution of the lease and I = index for the month preceding the revision date. Generally, the rental increase occurs automatically and does not require separate notification by the landlord.

### *How is rent paid – monthly, annually?*

Rent in Belgium is payable quarterly in advance. Rent is due on January 1, April 1, July 1 and October 1, or on a monthly base depending on the arrangement with the landlord.

### *What incentives are offered by the landlord?*

Depending on market conditions, the landlord may offer incentives such as a rent-free period or partitioning.

## FACILITIES

### *How is floor space measured?*

The total gross area or the space from the middle of the exterior wall to the middle of the other exterior wall is the official basis for measurement. In practice, it is the measurement from window to window. Fiscal responsibility for the common space, which includes: hallways, landings, entrance halls, elevator ducts, staircases, and technical ducts, is calculated on a pro rata basis in the case of a multi-tenant building. If a tenant rents 30% of an office building, he will pay for 30% of the common area.

### *What is generally provided by the landlord prior to occupation of the space?*

In most cases, the landlord simply provides clean space without partitioning, but includes false ceilings, lighting and carpets.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

Usually, the tenant must bear the costs of lease registration duties, a bank guarantee for six months' rent and the cost of any improvements made to the space (partitioning, cabling, etc).

### *Is key money charged or a security deposit required at the start of the lease?*

Before occupancy, a bank guarantee usually equivalent to six months' rent is required. Upon each subsequent increase

in the rent a proportional readjustment of the guarantee is required.

*How are tenant improvements specified, paid for and supervised?*

Tenant improvements need prior written approval of the landlord. If the tenant pays for modifications, those improvements automatically and without indemnity become the property of the landlord unless otherwise agreed. However, in some cases the landlord does agree to execute the modifications as required by the tenant, in which case the investment value is added to the base rent. Either the cost of the investment is spread over the first term of the lease or else over the entire length of the lease with indemnity clauses if the break clauses are used. Generally, tenant improvements are arranged and paid for by the tenant. There are a number of ways in which the fit-out can be financed locally in order to conserve working capital. Tenants may seek to raise a bank loan secured on the asset and possibly with further collateral. This gives the benefit of depreciation allowances for tax purposes, which are generally retained by the party who continues to own the asset.

*What additional costs should the tenant budget for during the term of the lease?*

The tenant should budget for necessary repairs and maintenance of the rented space, real estate or property taxes paid to the national government and office taxes paid to the regional government, as well as yearly indexation of the rent.

*What costs are the tenants responsible for at the end of the lease?*

At the expiration of the lease, the tenant is responsible for restoring the premises to a good state of repair, as close as possible to the state in which the tenant found it, excluding normal wear and tear.

**OPTIONS**

*Can furnished office space be leased on a short-term basis?*

Yes, there are some opportunities for leasing not only on a month-to-month basis, but also on a week-to-week and day-to-day basis. All services, such as telephone, fax, secretarial assistance, etc. may be included for a fee.

*Is leasing the only option for foreigners wishing to establish an office in your country?*

Leasing is the most common method of establishing an office, but buying property is also possible.

*Are there restrictions on foreign ownership of commercial buildings in your country?*

There are no restrictions.

## OFFER

### *Is a signed offer legally binding?*

No, a signed offer letter is not legally binding.

## LEASE

### *What is the typical lease term?*

The lease term can be any length. The most common term is three to five years.

If you have a lease agreement with a term of more than three years, by law, in the third year, either party is entitled to request a rent review.

Any lease agreement for commercial purposes that has a term of at least five years may be renewed for an equal period of time at the discretion of the tenant.

### *Is the term finite or do leases*

The term of the lease is finite and ends on the last day of the term.

### *Can the tenant secure options to renew? How is the rent set?*

Yes the tenant can secure an option to renew. The renewal rights are stated in the lease within the "period" clause. The tenant must notify the landlord in advance of their intention to renew, otherwise, the lease shall be terminated on the last day of the term as stated in the lease. The notice period is typically established within the lease, but if not, the common notification period is 30 days prior to the expiration.

Any lease agreement for commercial purposes that has a term of at least five years may be renewed for an equal period of time at the discretion of the tenant. In order to exercise this right the tenant must file a legal action (the "Renewal Action") between six and twelve months before the expiration of the contractual term, and observe other related requirements by law.

The rent amount during the renewal term is negotiable by both parties. The common practice is to apply the adjustment index (see "How is rent adjusted during the term of the lease"), or negotiate as a new lease.

### *Can the tenant secure options to terminate? What is the standard penalty fee?*

By law, the tenant has the right to terminate the lease early provided they give prior written notification to the landlord, usually 30 days' notification, and the payment of the termination fee. The standard termination fee is equivalent to three months' rent but it can be higher if stated in the lease. According to the relevant legislation, the fee shall be reduced proportionally to the remaining term of the lease. Using a three year lease with a three month termination fee as an example, if the lease is terminated in the first year the termination fee is three months but if it is terminated in the second year it will be reduced to two months' rent.

### *Can the tenant secure options to Right of First Refusal*

If the building is offered for sale during the term of the lease, by law, the tenant is entitled to the right of refusal on the sale of the building. If the lease agreement is recorded in the relevant real estate record file, and in the event the tenant's right of first refusal is not observed and the building

is sold, the tenant will have the right to exercise this right even after the building is purchased. If the lease agreement was not recorded and the tenant's right of first refusal is not observed, the tenant shall have the right to claim damages and losses from the landlord. The right of first refusal for rent on available areas in the same building can be negotiated and included in the lease.

### *What obligations does the tenant have at the end of the term in regards to returning the premises?*

The common practice is to return the space to its original, bare shell condition, with normal wear and tear. Such condition can be negotiated by the parties.

### *Is it possible to find second generation space, with tenant improvements included?*

It is extremely rare to find second generation space to lease because tenants are obligated to return their space to its original condition. If second generation space is found, the lease must be agreed to by the landlord (typically the previous tenants has left the space and there is another company interested in leasing the space with the improvements included).

### *What regulations cover subleasing and assigning of leases*

The parties may negotiate subleasing and assignment clauses. If not expressly provided in the lease agreement, the sublease and assignment are only permitted provided the landlord's prior approval. The rent paid by the sub-tenant cannot be higher than the rent paid by the sub-landlord.

### *What is the average number of parking stalls/ m<sup>2</sup> in a standard lease?*

This varies depending on the region, building age, and building class. In new buildings, an average of one parking stall for every 50 square meters leased is included in the lease.

### *What lease guarantees can the tenant expect to provide?*

Most commonly the landlord asks for a bank guarantee or letter of credit. A deposit is sometimes used, usually equivalent to three months' rent. The guarantee or letter of credit covers one years' costs including rent, condominium expenses, and taxes. It must be renewed each year. It is also common for the guarantee or letter of credit to cover the costs for the entire term of the lease. The law also allows for a personal guarantee, the guarantor shall be responsible for the tenant's obligations during the term of the lease. Note: the bank guarantee or letter of credit is not attached to an escrow account.

### *What regulations cover holding over of the current premises?*

If the tenant does not notify the landlord of their intention to renew and the tenant remains in the premises for more than 30 days without the landlord opposing, the lease shall be considered renewed for an undetermined term. In such event, the landlord has the right to ask the tenant to leave anytime, provided they give 30 days' prior written notice in this regard (please note that during the term of a lease agreement for a determined term, the landlord cannot ask the tenant to leave).

### *Can the tenant make alterations to the space?*

Yes, the tenant has the right to make alterations to the

## WORLDWIDE LEASING GUIDELINES

space but the alterations must be approved by the landlord and municipality. It is uncommon for the tenant to use the landlord's architect or project manager for any alterations.

### RENT AND OTHER COSTS

#### *In what units are rents quoted?*

R\$/ m<sup>2</sup>/ month. R\$ represents the Brazilian Real.

Note: When a number is written, the "." is used to separate thousands and the "," separates the decimals.

For example one thousand dollars and eighteen cents is written \$1,000.18.

#### *When referring to "Rent" what does this specifically include and what additional charges is the tenant responsible for?*

"Rent" is basic rent, as defined in lease.

#### *Additional Costs*

Additional costs, referred to as condominium fees, vary depending on the building class and location. The average fees are:

- Class "A+" = + R\$ 18,00/ m<sup>2</sup>/ month
- Class "A" = R\$ 14,00/ m<sup>2</sup>/ month
- Class "B" = R\$ 12,00 m<sup>2</sup>/ month
- Class "C" = R\$ 10,00/ m<sup>2</sup>/ month

Note: Buildings under the GREEN certification will have lower condominium fees. Condominium fees can be higher than R\$18,00/ m<sup>2</sup>/ month for certain buildings.

The condominium fee fluctuates month to month as it includes water, gas, lights, and cleaning, all for common areas, and these costs can vary. The condominium fee also includes common area costs for security, gardening, and janitorial. The landlord can only request the tenant to pay ordinary condominium expenses. Extraordinary condominium expenses are the landlord's responsibility.

#### *Taxes*

City taxes are approximately R\$ 4,00 m<sup>2</sup>/ month.

#### *Parking*

The prices vary from approximately R\$ 150/stall/month to R\$ 350/stall/month. Parking rates can increase at any time depending on demand.

#### *What additional charges does the tenant pay for, i.e. utilities?*

The additional charges include electricity, telephone, janitorial, interior gardening, maintenance for extra air conditioning (split for the server/it equipment room), carpet cleaning, and after hours costs for air conditioning. These costs are for the leased space.

#### *How is rent adjusted during the term of the lease?*

Rent is adjusted annually by one of the following indexes:

- IGPM is based on the general market prices for items including but not limited to the dollar, food, and clothes.
- IPCA is based on the prices for the consumer, for example, service providers, commercial stores, and public services.

Both indexes are based on inflation and either can be used to determine the annual rental escalation in the lease. Today, the most commonly used is the IGPM. In addition to the annual adjustment all leases have a rent review, by law, in the 3rd year. The rent must be increased or decreased according to market rates.

#### *How is rent paid?*

Rent is paid monthly and in Reais.

#### *What incentives are offered by the landlord?*

Landlords offer free rent as an incentive and the standard is two or three months. Very short leases typically offer less of an incentive. Leasehold improvement allowances are not common practice and it is uncommon for the tenant to use the landlord's architect or project manager for any leasehold improvements.

#### *What costs is the tenant responsible for at the end of the lease?*

The tenant is responsible for all costs until they return the space to the landlord including the cost to restore the space to its original condition. The tenant is responsible for these costs even if the lease is terminated, up to the last day of the terminated term and delivery of the keys of the lease premises to the landlord.

#### *Is it standard to provide a deposit?*

Deposits are not standard in the market, but if the landlord accepts a deposit the common practice is three months' rent. The tenant can typically apply the three months' deposit to the last three months' rent, even in the case of an early termination.

## FACILITIES

#### *How is the floor space measured?*

Usable area is rentable area; common areas are not included in rent.

Note: 1 square meter = 10,7639 square feet

To convert US\$/m<sup>2</sup>/month to US\$/SF/annum multiply the given rate by 1,1148.

#### *23) What is generally provided by the landlord before occupation of the space?*

For A+, A, and B buildings, the space is usually delivered to the tenant with the ceiling, lights, fire system, flooring (raised floor or ducts), and central air condition.

Other Options

#### *24) Can furnished office space be leased on a short-term basis?*

Virtual offices come furnished and can be leased on short-term bases. Examples of these include Infinity (HQ) and Regus. There are also other regional companies.

(Quoted Rates are Specific to São Paulo in 2008)

## THE LEASE

### *How long are leases generally?*

The usual practice for modern office buildings is a lease contract, generally signed for an average of five years with a renewal option. Occasionally three year contracts may be observed.

Non-fixed-term leases can be terminated with one month's notice, unless stipulated otherwise in the contract. According to Bulgarian legislation, the maximum duration of a lease contract cannot exceed ten years.

### *What form of agreement would the tenant be asked to sign?*

There is no obligatory standard form of a lease contract. The terms and conditions are usually negotiable and prepared in accordance with both parties' requirements and participation. Lease agreements do not require registration with a notary. The template of the lease agreement may be proposed by the lessor or the lessee case by case.

### *Is the lease legally binding?*

Leases are legally binding according to the Bulgarian Law of Obligations and Contracts. This states that the transfer of property does not automatically break a rental agreement that the previous landlord/owner has already negotiated, although the new owner has the legal right to break off the contract with one month's notice. The tenant can protect his rights for one year after the transfer of title by registering the lease agreement in a public notary office. If the agreement is registered in the Property Registry, then it is binding for the new owner for the whole period of the lease term.

### *Are options to renew or extend the lease possible?*

Several options are possible. If, after the expiry of the lease term, the use of the property continues with no sign of disagreement on the part of the lessor (silent extension), the contract is considered extended for a non-fixed/undefined period of time and can be terminated with one month's notice. Most landlords of large properties have begun to explicitly state in the contract that the lease terminates with the termination of the lease term, unless both sides reach written agreement for prolonging. Contracts may contain the option for renewal. If such an option is not included, then the lease may be renewed after new terms and conditions are negotiated.

### *What regulations cover sub-leasing or assigning of leases?*

The law allows sub-leasing unless otherwise stipulated in the contract. Usually landlords insist on having right of approval in case of sub-leasing. In regard to the usage of the property, the sub-lessee is bound to the same rights as the original lessee.

The sub-lessee is only liable to the tenant in principal; however, if the sub-lessee fails to pay some charges, the original tenant and the sub-lessee are jointly liable to pay the whole amount of rent and charges as agreed with the landlord.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are mainly quoted in Euros (€) per month per square

metre. This is because the Bulgarian lev is pegged to the Euro and the real estate market gradually switched to the use of the European currency in advance of Bulgaria joining the European Union in 2007. In rare cases rents are still quoted in Bulgarian levs (BGN).

### *When referring to rent, what does this specifically include?*

Rent is usually negotiated as a pure price per square metre of net office space, supplemented by an add-on factor for common areas. This add-on factor varies between individual office developments and is generally around 7-20%. There is also an additional service charge (fixed or open book principle) of €1-4 per sqm/month; in most cases this includes maintenance of common areas, security expenses, etc. It is also possible to negotiate an all-inclusive rent, but this is becoming less common owing to the limited flexibility of that method.

### *How is rent adjusted during the term of the lease?*

There is no general rule as to how rent is adjusted. However, the most common practice is to adjust rent in accordance with the harmonized consumer price index (HCPI), since it has a high level of independence and accuracy. Changes in the rental level can also be made whenever changes in the supply-demand relationship take place.

### *How is rent paid – monthly, annually?*

Rent is usually paid quarterly in advance, or at the beginning of the quarter it is due. There are still some monthly payment practices. Penalties may be incurred if payment is late.

### *What incentives are offered by the landlord?*

One of the incentives that can be negotiated is a discount from the total rent for a long-term occupier or a tenant renting large floor area. The discount is usually up to 10% of the official rental price. In other cases, however, incentives such as a rent free period, free parking spaces for a fixed duration, or some specific fit-out contribution are offered.

## FACILITIES

### *How is floor space measured?*

Floor space is measured as the usable area, including toilet facilities and kitchens, as well as storage and service rooms. For office space, the measurements may include the width of the external walls and half of the walls between tenants. A certain percentage – usually around 7-20% – of common areas is also subject to rent, calculated on the basis of the net rented area.

### *What is generally provided by the landlord prior to occupation of the space?*

The fittings provided by the landlord are negotiable and may vary. The landlord generally provides open-plan space, with lighting fixtures, telephone and internet cabling, electric wiring, water supply and sewage system, as well as A/C and ventilation systems. It is becoming more common to also provide suspended ceilings and/or raised floors.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

The tenant is responsible for the costs of any improvements during the lease period. The cost of any structural repairs is the duty of the landlord, as is the responsibility for insurance.

Brokerage costs should also be considered. The real estate agent is usually paid on the “both parties representation system” unless the broker exclusively represents one of the parties. Such cases are becoming more and more common in the market.

### *Is key money charged or a security deposit required at the start of the lease?*

No practice of key money exists in Bulgaria. A security deposit equivalent to three to six months’ rent is due as a lump sum at the beginning of the lease period. A bank guarantee may also be accepted.

### *How are tenant improvements specified, paid for and supervised?*

Tenant improvements and owner contributions to them may be negotiated before the rental agreement is signed. The tenant pays the costs of tenant improvements. However, if both parties agree that the improvements remain and benefit the property even after the tenant moves out, a deduction from the rent can be negotiated.

### *What additional costs should the tenant budget for during the term of the lease?*

The tenant should budget for necessary repairs and maintenance of the rented space, electricity and telephone billing, as well as third-party liability insurance. Improvements that will not be paid for by the landlord should also be included in a supplementary budget. Additional expenses, such as rented parking lots, should also be considered. The tenant should also budget for escalations in rent as described above under “Rental.”

### *What costs are the tenants responsible for at the end of the lease?*

At the end of the lease, the tenant is responsible for all the costs of restoring the premises to a good state of repair and paying the bills already incurred.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

Professional providers of short-term office facilities have entered the market, and fully equipped office space can be rented for periods from one day to three years.

### *Is leasing the only option for foreigners wishing to establish an office in your country?*

The purchase of property is also an option.

### *Are there restrictions on foreign ownership of commercial buildings in your country?*

There is no restriction on foreign ownership of commercial buildings.

## THE LEASE

### *How long are leases generally?*

Although a five-year term with a five-year renewal option is very common in new Class A buildings, the average lease term is usually ten years. It is unusual to find terms of more than ten years.

### *What form of agreement would the tenant be asked to sign?*

All buildings have standard lease agreements. Tenants must sign an Offer to Lease with the standard lease agreement attached.

### *Is the lease legally binding?*

The lease is a legally binding document, but most landlords allow the tenant the right to assign or sublease to another tenant of good standing.

### *Are options to renew or extend the lease possible?*

A typical lease in Vancouver is a five-year term with an option to renew for five years. The option rent is based on the market value and must be agreed to by the landlord and the tenant. This type of arrangement is common across Canada.

If the tenant is unhappy with the terms of the renewal, he or she usually has the right to arbitration through provisions of the Arbitration Act in British Columbia, Ontario, Alberta, etc.

### *What regulations cover subleasing or assigning of leases?*

The tenant remains responsible for the terms and conditions of the lease following assignment or subleasing. In certain buildings, the landlord has the first right of refusal to take the space back. Conditions under which the tenant may assign or sublease vary from building to building and are specified in the building's standard lease.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are either expressed in Canadian Dollars per square foot per annum or Canadian Dollars per square meter per annum. Private enterprise generally uses square feet, while government agencies use square meters.

### *When referring to rent, what does this specifically include?*

A net lease is the most common lease form and refers to the net amount received by the landlord. Payments for all operating expenses, property taxes and utilities are generally referred to as "additional rent" and will vary according to actual expenses incurred.

### *How is rent adjusted during the term of the lease?*

If the lease is a net lease, which is now the norm in Canada, basic rent or full net rent can be fixed over the term of the lease or escalated according to a pre-determined schedule.

Each year the tenant is responsible for his proportional share of taxes and operating expenses. Prior to the commencement of each calendar year the landlord notifies the tenant of the estimation of the tenant's share of the coming year's real estate taxes. Usually, the estimated amount is payable in equal monthly installment. If necessary, adjustments are made at the end of the calendar year.

The same system applies for operating costs. The landlord also has the right to re-estimate the tenant's share of operating costs. The tenants are obligated to pay the adjusted costs over the balance of the fiscal period.

### *How is rent paid – monthly, annually?*

Generally, rent is paid monthly in advance, usually without formal demand. Most leases specify that if rent is not paid within seven days of the due date, the tenant is in breach of his lease and interest is incurred.

### *What incentives are offered by the landlord?*

Depending on the strength of the tenant's credit rating as perceived by the landlord, the length of the lease, the tenant's desirability in terms of attracting other tenants and the amount of space leased, incentives may include a rent free period, identification or signage rights, additional fit-out time, fitting-out allowances and time to find a tenant for excess space pending expansion. There are no hard and fast rules governing incentives, and conditions vary. Most landlords will offer incentives for leasehold improvements, with the cost of the improvements to be amortized over the lease term.

## FACILITIES

### *How is floor space measured?*

While minor variations to the BOMA formula for measuring floor space occasionally appear in leases, the standard measurement contained in the "American National Standard Method for Measuring Floor Area" is generally used.

The usable area of an office is computed by measuring to the finished surface of the office side of the corridor and other permanent walls, to the center of the partitions that separate the office from adjoining usable areas, and to the inside finished surface of the dominant portion of the permanent outer building walls. No deductions are made for columns and projections necessary to the building.

The rentable area of a floor is computed by measuring to the inside finished surface of the dominant portion of the permanent outer building walls, excluding any major vertical penetrations of the floor. No deductions are made for columns and projections necessary to the building.

The rentable space on the floor is computed by multiplying the usable area of that office by the result of the division of the rentable area of the floor by the usable area of the floor resulting in the "R/ U Ratio."

### *What is generally provided by the landlord prior to occupation of the space?*

The landlord completes the building with elevators, entrances, lobbies and other facilities for common use by the tenants. Subject to specific criteria, the landlord may also provide the building with heating and air conditioning systems and a distribution system for electricity and water and other utility services necessary to the leased premises.

The landlord usually completes the leased premises to include: demising walls, which separate the tenancy area from common areas, to establish standards on multiple tenancy floors, standard entrance doors on multiple tenancy floors, acoustic ceiling panels, fluorescent lighting fixtures complete with tubes and ballasts, a ceiling routed system for

## WORLDWIDE LEASING GUIDELINES

installation of telephone and electrical outlets, a system for interior climate control, a ceiling sprinkler system and hot and cold running water to finished washrooms on the floor.

### COSTS

#### *What costs does the tenant incur at the time of occupation?*

Typically, the tenant must pay a security deposit of two months' gross rent.

#### *Is key money charged or a security deposit required at the start of the lease?*

As mentioned above, the tenant provides two months' rent as a security deposit in trust to the real estate company handling the transaction until occupancy of the premises or commencement of the lease term. No key money is charged.

#### *How are tenant improvements specified, paid for and supervised?*

Some major buildings will provide an initial space planning service without charge or obligation to the tenant together with an estimate of fitting-out costs. Alternatively, there are specialist firms of space planners and interior design architects which will prepare layouts, arrange for contracts for partitioning and service extensions, provide graphics and furniture and have these approved by the landlord and planning authority, a government agency. The approval process may take from 15-30 days. Some landlords insist on a certain minimum standard, and the landlord retains the right to approve plans, specifications, and contractors.

Office improvements may be financed in a number of ways. Among them the options are: provision of improvements by the landlord whose costs are amortized and recovered through rent, or when the market is incentive oriented, a leasehold improvement allowance may be provided by the landlord. The tenant may obtain long-term bank or lease financing, although this is not very common.

#### *What additional costs should the tenant budget for during the term of the lease?*

Tenants should allow for the escalation of taxes and other operating expenses as discussed earlier. Any recarpeting or partitioning is done when and if the tenant wishes and at his or her own cost.

#### *What costs are the tenants responsible for at the end of the lease?*

Leases, especially in better quality buildings, provide that the tenant must leave the premises in good order and repair any damage that has occurred. Some leases provide for the tenant to remove his leasehold improvements on request and bring the leased area back to base building standard, all at the tenant's cost.

### OPTIONS

#### *Can furnished office space be leased on a short-term basis?*

For the organization needing to set up a new business or branch immediately, the serviced office concept is most appropriate. In major Canadian cities there are several companies that provide fully partitioned and furnished

office space with telephones and secretarial support. These business services are available on a month-to-month basis. Typically, these offices are in prestigious buildings with a common reception area.

#### *Is leasing the only option for foreigners wishing to establish an office in your country?*

No, foreigners may also purchase commercial space.

#### *Are there restrictions on foreign ownership of commercial buildings in your country?*

If an asset is worth more than C\$30 million or has an annual income stream of more than C\$10 million, approval from Investment Canada, a government agency, is required before a purchase may be completed. The approval process can take anywhere from a few weeks to a few months. In addition, a land transfer tax equal to 20% of the asset's value must be paid by any foreign purchaser.

## THE LEASE

### *How long are leases generally?*

Leases can vary from two years up to ten years.

The most common lease contracts are three- and five-year terms.

### *What form of agreement would the tenant be asked to sign?*

Tenants are normally asked to sign a free negotiation lease. Although all terms of the lease are freely negotiated, in practice, the term of the lease does not vary considerably, if at all.

### *Is the lease legally binding?*

Leases are legally binding, but are rarely registered. Registration of the lease would protect tenants if the property in which space is being leased were sold. If the lease is unregistered, a new owner could disregard the lease contract and force the tenant out of the space.

### *Are options to renew or extend the lease possible?*

Days of advanced notice prior to termination of the lease can go from 60 days up to 120 days. In most of the cases it is 90 days, but is a negotiable point. In regards to the period on which the lease contract can be renewed, the point is also negotiable. In most of the cases, renewals can go from one to two years. This does not mean that a renewal can't be negotiated in the same period as the first lease.

### *What regulations cover subleasing or assigning of leases?*

Subleasing is legal only if provided for in the original lease contract. Without a provision, the tenant is prohibited from subleasing without the consent of the landlord.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are quoted in Unidad de Fomento (UF), a monetary unit related to the Consumer Price Index, per square meter per month. As of August 2009, a UF was approximately US\$ 36.00

### *When referring to rent, what does this specifically include?*

A car parking space is granted between 30 to 60 square meters leased. It will depend on the building and its location. Spaces are rented on a monthly basis separated from the lease rent.

### *How is rent adjusted during the term of the lease?*

The UF value changes daily in accordance with inflation, therefore the monthly rent varies.

### *How is rent paid – monthly, annually?*

Rent is paid monthly.

### *What incentives are offered by the landlord?*

In most cases, landlords offer up to one to two months' free rent, in some extraordinary cases could be three months. This is for new or used space.

## FACILITIES

### *How is floor space measured?*

Floor space is measured from the middle of the exterior wall to the middle of the interior wall.

### *What is generally provided by the landlord prior to occupation of the space?*

Generally, the landlord provides carpeting, paint, tiling in kitchens and bathrooms, lighting and false ceiling. However, the providing conditions depend on each new building.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

At the time of occupation, the tenant must pay for installation of partitions, desks, and furniture. In some cases (most of new projects), tenants must also pay for carpeting, lighting or false ceiling.

### *Is key money charged or a security deposit required at the start of the lease?*

At the start of the lease, a security deposit amounting to one month's rent is required.

### *How are tenant improvements specified, paid for and supervised?*

Any improvements desired by the tenant must be approved by the landlord and paid for by the tenant. In the event that the improvements are stationary, they remain in the tenancy area, otherwise they belong to the tenant and may be removed at termination of the lease.

### *What additional costs should the tenant budget for during the term of the lease?*

During the term of the lease, the tenant must pay building administration expenses, including water, electricity, security, etc.

### *What costs are the tenants responsible for at the end of the lease?*

At the end of the lease, the tenant must bear the cost of returning the office space to good condition, considering the normal wear.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

There are some companies that lease furnished space for a short-term basis, such as Regus.

### *Is leasing the only option for foreigners wishing to establish an office in your country?*

Foreigners have the option to lease or buy office space in Chile.

### *Are there restrictions on foreign ownership of commercial buildings in your country?*

There are no restrictions on foreign ownership. Government approval is required only when the building under consideration is officially categorized, such as a heritage building.

## THE LEASE

### *How long are leases generally?*

The typical lease term is three years. Five-year lease terms are becoming more common for larger tenants.

### *What form of agreement would the tenant be asked to sign?*

Tenants are required to sign a binding lease. Most landlords will provide an initial draft lease based on their standard form. Some smaller landlords use the standard lease agreement published by the Land and Housing Administration Bureau.

### *Is the lease legally binding?*

Leases are legally binding in accordance with the laws of the People's Republic of China. The Government requests that all leases be registered with the Land and Housing Administration Bureau. A nominal registration fee as a percentage of the annual rental is payable by the landlord and tenant in some cities.

### *Are options to renew or extend the lease possible?*

It is common for leases to include an option to renew at the then current fair market rent.

### *What regulations cover sub-leasing or assigning of leases?*

Most leases either do not permit subleasing or require the landlord's approval which may be withheld for any reason. Subleasing to affiliates and subsidiaries is generally permitted.

## RENTAL

### *In what monetary units are rents quoted?*

Rent and management fees are quoted in Chinese Yuan (Renminbi) per square meter per month or per day.

### *When referring to rent, what does this specifically include?*

In most cases, rent includes only the cost of occupying the space, with property management fees, parking, utilities, and all other costs paid separately.

### *How is rent adjusted during the term of the lease?*

Rent is typically fixed for the term of the lease. Management and service charges are subject to adjustment during the term unless specifically prohibited in the lease.

### *How is rent paid – monthly, annually?*

Rent and management fees are usually paid monthly.

### *What incentives are offered by the landlord?*

Landlords will generally provide a free rent period of one to three months during which the tenant may complete its fit-out work. Depending on market conditions, additional free rent or other incentives may be negotiated.

## FACILITIES

### *How is floor space measured?*

Generally area is measured on a gross basis including the tenant's proportionate share of building common areas. The ratio of actual (net) area and gross area can vary significantly so tenants are advised to plan or measure the space before entering into a formal agreement.

### *What is generally provided by the landlord prior to occupation of the space?*

Landlords generally provide standard T-bar ceiling, air conditioning, thermostats, sprinklers, entry doors and lighting.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

The tenant is typically responsible for the following:

- A security deposit, usually three months' rent (paid on signing of the lease)
- A rental advance, usually one month's rent (paid prior to handover)
- Fitting-out costs

### *Is key money charged or a security deposit required at the start of the lease?*

Yes (see above).

### *How are tenant improvements specified, paid for and supervised?*

All tenant improvement work has to be approved in writing by the landlord and relevant authorities. Plans should be submitted and approved prior to commencement of the work. Some buildings require the tenant use their nominated contractors for work affecting base building systems (i.e. electrical or HVAC). For use of an outside contractor, landlords may charge a supervision fee.

### *What additional costs should the tenant budget for during the term of the lease?*

In addition to rent and management fees, tenants will be responsible for car parking, utilities and any increase in management fees.

### *What costs are the tenants responsible for at the end of the lease?*

Prior to the expiry of the lease, the tenant is generally required to remove its improvements and return the space in its original condition.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

Yes. There are a number of international and local companies that provide short-term furnished office space.

### *Is leasing the only option for foreigners wishing to establish an office in your country?*

No, foreigners may purchase properties. Buying property helps avoid the fluctuations of rental costs and takes advantage of capital expenditure tax allowances.

### *Are there restrictions on foreign ownership of commercial buildings in your country?*

Foreign investment is generally encouraged however there are a number of legal considerations. Professional advice is advised.

## OTHER

### *How can disputes between landlords and tenants be settled?*

It is becoming more common for the lease agreement to provide for binding arbitration to resolve disputes between the parties. If the lease does not specify an arbitration process then parties may take their claims to court.

### *What documents will the landlord require prior to signing the lease agreement?*

The tenant must produce a business license issued by the government of the People's Republic of China and a power of attorney form authorizing the lessee's representative to sign the lease agreement.

### *In which language is the lease agreement?*

In most cases the lease agreement is available in English and Chinese however the Chinese version will generally be the binding version.

## THE LEASE

### *How long are leases generally?*

Today leases range from two to three years in duration. Long-term leases are very rare and for this case, special extension clauses can be included. If for some reason at the end of the term the tenant does not notify the owner the cancellation or the extension of the contract, it will automatically renew.

### *What form of agreement would the tenant be asked to sign?*

A tenant would be asked to sign a private leasing contract, which is legally binding to both parties. The standard form 90% of the time is the landlord's standard lease form.

### *Is the lease legally binding?*

A lease is a legally binding document and as such, the tenant undertakes its obligation for the full term entered into. When a lease contract is completed, the landlord can or cannot register the lease with the authorities, depending on the tenant's will. If the contract is registered, the tenant must pay for this service.

### *Are options to renew or extend the lease possible?*

It is legal to extend the lease, usually previously arranged between both parties and established in the document. The average extension period is one to two years.

### *What regulations cover sub-leasing or assigning of leases?*

Subleasing is subject to the landlord's consent and it can only be done with his authorization.

### *What documents are needed to complete a lease transaction?*

For companies:

- An executed lease between the landlord and tenant.
- A copy of the company's legal constitution (with less than 30 days of expedition).
- A copy of the authorization for the representation.
- A copy of the company's audited financial statements of the last two years.
- A copy of tax statement of the last two years.
- Bank statements of the last three months.
- If the company is recent, they must provide full documentation of the partners showing their income and payment capacities.
- Two guarantors: Someone or some entity that owns properties in Colombia that can cover the tenant's payments. In addition, at least one guarantor must show proof of ownership and proof of no encumbrances of their ownership. If the guarantors do not have properties, the tenant must to do a legal deposit for six months' rent as guaranty.

For individuals:

- A copy of the last tax statement.
- A copy of the last three company's payroll receipts, which must include salary, position, and the time working for the same company.

- Bank statements of the last three months.
- Two guarantors: Someone or some entity that owns properties in Colombia that can cover the tenant's payments. In addition, at least one guarantor must show proof of ownership and proof of no encumbrances of their ownership. If the guarantors do not have properties, the tenant must to do a legal deposit for six months' rent as guaranty.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are quoted in Colombian Pesos per square meter per month. There are 10.76 square feet in one square meter. The current exchange rate is 2.477 Colombian pesos for each US dollar (March 2009).

### *When referring to rent, what does this specifically include?*

- Base rent to the landlord.
- Maintenance fees are quoted separately and they are additional to the base rent, including common areas such as the lobby, staircases and public areas.
- Realty taxes.
- IVA (Value Added Tax) of all fees.
- Maintenance expenses for the parking (usually included in maintenance fees)
- Administration fees (8-10%).
- Leasing Insurance (2.5% to 3.5%). It will cover leasing expenses in case of early cancellation or legal trial (including energy expenses, phone, water, etc.).
- "Impuesto de Timbre" – When the total value of the contract surpasses \$132.324.000 Colombian pesos, this tax is mandatory and the rate is 1.0% of the total value of the contract).
- Extraordinary administration expenses.
- Brokerage commissions are one or two months' rent depending on the lease extension and they apply in cases where there is no management involved in the lease.

### *Additional Charges:*

- Electricity expenses (independently measured)
- Water expenses (independently measured)
- Telephone expenses
- Janitorial services
- Air-conditioning service (could be 24 hour service on charge to the tenant).
- Real estate commission may apply in some cities and vary from 10 to 20% of the rent.

### *How is rent adjusted during the term of the lease?*

Rental rates are adjusted during the term of the lease using the national inflation index (2007 inflation: 5.69 %) annually but is negotiable. Even though the increase is included in the contracts, reality is otherwise. Some tenants are sending letters requiring no increase for the upcoming year and they are usually accepted.

*How is rent paid – monthly, annually?*

The rent is paid on a monthly basis within the first five days of the period, usually in advance at the landlord's address or the landlord may hire a manager to collect the rent in his name.

*What incentives are offered by the landlord?*

According to local practices, landlords do not grant leasing incentives. When the tenant is very important for the landlord, he/she may give one or two months of free rent to make the improvement allowances. Landlords typically do not provide tenant improvement allowances or include those on the rent, but again, this may be negotiated according to the landlord's will.

The rental rate is the one item that has shown the most flexibility, as there are really not too many other incentives. Landlords typically do not provide tenant improvement allowances. The space is delivered in shell condition with the services provided at one entry point and it is up to the tenant to distribute the services. Today some landlords will provide offices with the ceiling system and carpet installed.

**FACILITIES***How is floor space measured?*

Commercial office accommodations are normally measured considering the net usable area. Entrance halls, stairs, corridors, maintenance rooms and washrooms are excluded. The common areas are included in the monthly maintenance fee.

*What is generally provided by the landlord prior to occupation of the space?*

In general, office space is offered in an "as is" condition at the time of the closing. This generally means that the premises are in the condition it was left by the previous tenant. Landlords of new buildings will offer the space in raw shell condition. Concrete floor and ceiling with the services supplied to the premises but not distributed throughout. Sometimes it is possible to include in the negotiation some additional improvements.

**COSTS***What costs does the tenant incur at the time of occupation?*

The tenant can expect to incur in the following costs prior to taking occupancy of the premises:

- Insurance study and authorization (around 5% of the contract).
- Provide the names of people or companies as collateral.
- If you refuse the previous instance, you must provide a deposit given by a financial institution equivalent to six months' rent.
- In the case of new buildings which offered the commercial spaces in raw shell condition, the tenants must to improve the office to its requirements. The costs have a broad range and depend, basically, on the desired quality and the construction company.

*Is key money charged or a security deposit required at the start of the lease?*

No, it is a common practice to ask for key money in leasing office space. Key money is common for retail spaces when these are in prime location. Sometimes landlords ask for key money if substantial leasehold improvements are in place.

## THE LEASE

### *How long are leases generally?*

For the new generation of Class A offices, a five year contract is required; for offices in general the obligatory contract length is from one to five years. For the large amount of office space which is not categorized as Class A, a contract is typically signed for a three year period. In most cases the termination period is from three to six months, although in some cases when a five year contract is signed the contract does not have a termination clause.

### *What form of agreement would the tenant be asked to sign?*

The lease contract is usually prepared in accordance with both parties' requirements and participation. Depending on the vacancy rate in the area around the office building, all terms and conditions of the rental agreement are negotiable. Rental agreements must be registered at the notary.

### *Is the lease legally binding?*

All leases are legally binding when both parties meet the legal requirements. All leases provide for arbitration if any problems arise and the authority is the main Croatian court.

### *Are options to renew or extend the lease possible?*

Options to renew and extend are possible, but this usually implies renegotiation. In some cases, the contract contains a clause that both parties have the right to renew the contract by one or more years.

### *What regulations cover sub-leasing or assigning of leases?*

Unless otherwise stated in the lease terms, tenants can sublease the premises without prior written approval of the landlord. However, most landlords choose to include a clause requiring their written approval.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are usually quoted in Euros (€) per month per square metre for new office buildings and as a price per month for all other properties.

### *When referring to rent, what does this specifically include?*

Rent is quoted on a net basis per square metre or per property per month and thus represents the base amount that a tenant pays for rentable space. The net price does not include the following costs:

- Service charges (if applicable) – costs vary according to the services rendered.
- Parking spaces – charged monthly per space used.
- Rent for pro-rata share of common space in a multi-tenant building.
- VAT for the amount of rent (22%).
- Additional cost for electricity, heating or cooling, telephone, cleaning inside of office, local taxes, insurance for visitors, employees and equipment.
- Additionally, the tenant is responsible for operating costs and maintaining the premises in good condition.

Some service charges include all costs except telephone and cleaning. There is not a market standard for what is included in the service charge.

### *How is rent adjusted during the term of the lease?*

There is no general rule as to how rent is adjusted, though in many cases the harmonized consumer price index (HCPI) is used. This is the most common practice for new office buildings.

### *How is rent paid – monthly, annually?*

Rent is usually paid monthly or quarterly in advance. In most cases, rent is paid for the month it is due together with a deposit. Penalties may be incurred if payment is late.

### *What incentives are offered by the landlord?*

The only incentive that can be negotiated is a discount from the total rent for a long-term occupier or a tenant renting a large space. In some rare cases the landlord offers a free rent period (maximum three months) for tenants leasing a large space.

## FACILITIES

### *How is floor space measured?*

Floor space is measured as the usable area, without the building's structural and mechanical core elements. A proportion of the common spaces, such as entrance halls and hallways are sometimes included according to the ratio of space leased to total space in the building.

### *What is generally provided by the landlord prior to occupation of the space?*

The fittings provided by the landlord are negotiable and vary from case to case, and the level of finishing influences the final rental price. As a rule, the majority of tenants expect fully fitted space, usually excluding structural cabling and tenant specific requirements.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

The tenant usually pays a deposit equivalent to one to three months' rent. Alternatively a bank guarantee may be accepted (this is becoming common practice). The tenant is also responsible for the costs of further improvements during the lease period. The cost of any structural repairs is the duty of the landlord, as is the responsibility for insurance. The real estate agent is paid by his client, tenant and/or owner.

### *Is key money charged or a security deposit required at the start of the lease?*

The tenant must pay a deposit equivalent to one to three months' rent or more, depending on the property.

Generally, a security deposit or bank guarantee equivalent to three months' rent will be required under the terms of the lease. The tenant has to pay this amount after signed contract and before moving into the office.

### *How are tenant improvements specified, paid for and supervised?*

Tenant improvements and owner contributions to them

should be negotiated before the rental agreement is signed.

*What additional costs should the tenant budget for during the term of the lease?*

The tenant should budget for necessary repairs and maintenance of the rented space, local property taxes and insurance. Improvements that will not be paid for by the landlord should also be included in a supplementary budget.

*What costs are the tenants responsible for at the end of the lease?*

In the majority of cases, the tenant is responsible only for making good any damage. In a very few cases, the tenant is responsible for all the costs of restoring the premises to its "original" state at the beginning of the lease.

## OPTIONS

*Can furnished office space be leased on a short-term basis?*

Croatia has three companies which offer this kind of service. They offer various services and provide office space on a short-term basis. These offices are generally fully furnished and come with telephones, secretarial services and shared conference facilities, printer/fax/photocopier, web hosting, fax receiving, mail receiving, audio/video equipment, garage or parking place, and more. They usually charge 27 – 33 €/m<sup>2</sup> for a small office + VAT. Telephone and cleaning cost is charged extra. Parking space is approximately 150 € per month. Conference rooms are charged by the hour and cost approximately 11 to 15 € per hour.

*Is leasing the only option for foreigners wishing to establish an office in your country?*

The purchase of property may also be an option.

*Are there restrictions on foreign ownership of commercial buildings in your country?*

There are no restrictions on foreign ownership of commercial property.

## THE LEASE

### *How long are leases generally?*

Lease periods are generally five years, with an option to extend for a period equal to the original term of the lease. Lease periods may be as short as two or three years, but these tend to be in lower-rated buildings or in first-class properties where a larger tenant has rights to the space after a specified period. However, some landlords are currently willing to lease their premises at lower cost and shorter terms (two to three years), in order to overcome the financial crisis.

### *What form of agreement would the tenant be asked to sign?*

There is no specific form of contract that must be used in commercial real estate transactions.

### *Is the lease legally binding?*

Leases are legally binding on both parties and are governed by the laws of the Czech Republic. The tenant is typically responsible for all obligations during the lease term.

### *Are options to renew or extend the lease possible?*

Generally, a tenant will be granted a renewal option for at least two more years or for a period equal to the length of the original lease term. The rent agreed at renewal will be at the current market rate as determined by the parties or as determined by a qualified market value.

### *What regulations cover sub-leasing or assigning of leases?*

Assignment and sub-letting are generally permitted with the landlord's consent.

## RENTAL

### *In what monetary units are rents quoted?*

Rents for most major buildings are quoted in Euros (€) per square metre per month based on the net rentable amount of space. Service charges today are usually quoted in Czech Crowns.

### *When referring to rent, what does this specifically include?*

Apart from the financial obligation of the tenant to pay the landlord for the use of the premises in accordance with the lease contract, the monthly charge also covers a pro rata share of operating charges, insurance and property taxes (if any are levied against the property), as well as the costs of cleaning the premises.

### *How is rent adjusted during the term of the lease?*

Rent is usually adjusted each year on the anniversary date of the lease. The rate of adjustment is typically tied to the published rates of inflation in the European Union.

### *How is rent paid – monthly, annually?*

Rent is typically paid quarterly in advance, although monthly payments paid in advance may be negotiated.

### *What incentives are offered by the landlord?*

Landlords have begun to offer a rent-free period of one to six months and money for partitioning and tenant improvements. As the supply of available space continues to overtake demand, concessions will become more prevalent.

## FACILITIES

### *How is floor space measured?*

Floor space is generally measured as useable area, which includes the floor space between the internal faces of external walls and the internal faces of structural walls, excluding the internal columns. Space for internal walls, corridors, toilets, etc. is typically included, while vertical penetrations for stairs, lifts, duct space, etc are not included. Common spaces, such as entrance halls, are included for full-floor users. Partial-floor users may be assessed a pro-rata share of such common floor space. Certain landlords of properties with large ground floor common areas have sought to include this floor space as an additional element of net rentable area called add-on factor. Add-on factor is usually 4-11% added to net rentable area. This can be negotiated between the two parties.

### *What is generally provided by the landlord prior to occupation of the space?*

In general, office accommodations are carpeted by the landlord and offered together with suspended ceilings (if permitted by construction), lighting and wiring, and mechanical and electrical servicing. New high-quality spaces are providing raised floors, fan-coil units and sprinklers. It is important to obtain a comprehensive specification of what the landlord will provide prior to negotiating the lease contract.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

Typically, the first three months' rent must be paid in advance. If the tenant has retained a real estate agent, the tenant must bear this cost. The tenant also pays for his own legal services regarding lease documents.

### *Is key money charged or a security deposit required at the start of the lease?*

Generally, a security deposit or bank guarantee equivalent to three months' rent will be required under the terms of the lease.

### *How are tenant improvements specified, paid for and supervised?*

The landlord's contractor generally handles tenant fit-out; given an acceptable covenant, however, the landlord might allow the tenant to bring in his own contractor. Improvements above building standards are financed by the tenant, initially paid by the landlord with reimbursement due on demand, or initially paid by the landlord with reimbursement through amortization of the costs of the investment in the quarterly rent. Basic specifications are gradually improving.

### *What additional costs should the tenant budget for during the term of the lease?*

Tenants are responsible for standard maintenance of the premises plus budget increases, as well as annual rent adjustments.

### *What costs are the tenants responsible for at the end of the lease?*

At the end of the lease term, the premises must usually be

cleaned and reinstated to the condition they were in at the start of occupancy, less reasonable wear and tear.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

Yes, there are several packaged office companies in operation. Shared or executive office firms provide office space on a short-term basis. These offices are generally fully furnished and come with telephones, secretarial services and shared conference facilities.

### *Is leasing the only option for foreigners wishing to establish an office in your country?*

It is also possible for foreigners to purchase property in the Czech Republic. However, foreign companies must establish a local company (s.r.o) to build property.

### *Are there restrictions on foreign ownership of commercial buildings in your country?*

On May 20, 2004 the President of the Czech Republic signed an amendment to the Foreign Exchange Act (Act No. 219/1995 Coll.), which changed the legal regulations governing the acquisition of Czech real estate by citizens of the European Union. The amendment has been in effect since the day of its publication in the Collection of Laws.

### *Ownership by legal entities and individuals from EU and non-EU countries*

There are no important changes governing the ownership of real estate by legal entities and individuals from EU and non-EU countries. Fully owned subsidiaries that operate in the Czech Republic and are subject to the same laws and taxes as Czech domestic companies may acquire real estate.

### *Physical entity (entrepreneur, businessman), EU citizen*

In accordance with the amendment, the acquisition of real estate by citizens of the European Union is regulated in different ways according to the type of real estate they wish to acquire:

- The acquisition of land belonging to the agricultural land resources and forestlands is restricted.
- Other real estate can be acquired by any foreigner who holds a certificate of residence permit for a citizen of member states of the European Communities. Act No. 329/1999 Coll. on Foreigners' Stay and Residence in the Czech Republic regulates obtaining of this certificate.

## THE LEASE

### *How long are leases generally?*

Leases generally contain a security of tenure clause of three to five years. However, a security-of-tenure clause of ten years or longer is possible for some buildings, particularly if the space to be leased undergoes considerable improvements or is built-to-suit for the tenant. Typically the lessor grants a longer security-of-tenure period (up to twice as long) under these circumstances. By the end of the security-of-tenure period the lease normally rolls on until either party terminates the contract, although the lessor's right to terminate a lease is very restricted. Usually six to twelve months' notice is required to terminate a lease.

### *What form of agreement would the tenant be asked to sign?*

A tenant generally would be asked to sign an individually drafted contract based on the landlord's proposal. This practice is common among the major real estate owners and companies.

### *Is the lease legally binding?*

The lease is legally binding according to the Danish Contract Act.

### *Are options to renew or extend the lease possible?*

Usually the lease rolls on automatically unless either party gives notice to terminate the contract by the end of the security-of-tenure period.

### *What regulations cover sub-leasing or assigning of leases?*

If sub-leasing and/or assignment is allowed, it will be stated in the contract. If it is not stated in the contract, then the landlord must give his approval.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are quoted in DKK (Danish Kroner) per square metre per annum.

### *When referring to rent, what does this specifically include?*

Rent means absolute net rent per square metre, less VAT. It does not include services or the costs of operating the building. Additional charges for taxes, water, heating and ventilation, elevator operation, repairs, cleaning, maintenance of out-door areas, garbage removal, insurance and electricity in the common areas etc. are paid along with the rent in the form of a service charge monthly or quarterly in advance. In some locations the tenants must also pay a separate fee for car parking.

### *How is rent adjusted during the term of the lease?*

The most common practice is to adjust the rent annually according to the net price index calculated and published by Statistics Denmark.

### *How is rent paid – monthly, annually?*

Rent is paid monthly or quarterly in advance, along with service charges.

### *What incentives are offered by the landlord?*

Depending on market conditions, the lease terms agreed upon and the strength of the tenant, incentives such as a

rent-free period or other contributions from the landlord are possible.

## FACILITIES

### *How is floor space measured?*

There is no statutory rule in Denmark. However, in most cases floor space is measured as gross internal area, pursuant to Official Measurement Practice Order no. 311, defined as the area measured inside external walls. In the case of multi-tenanted buildings, common areas are divided evenly between the tenants.

### *What is generally provided by the landlord prior to occupation of the space?*

Usually the landlord provides a full fit-out of the space, excluding IT and telephone cabling, ready for the tenant to move in.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

The tenant's costs at the time of occupation are primarily those of preparing the space for occupation, for example, installing telephone and IT cabling etc.

### *Is key money charged or a security deposit required at the start of the lease?*

At the start of the lease the tenant normally has to pay a security deposit corresponding to between six and twelve months' rent. In some cases bank guarantees will also be accepted. Key money is only common in retail leases.

### *How are tenant improvements specified, paid for and supervised?*

Tenant improvements and owner contributions to them may be negotiated before the rental agreement is signed. However, after commencement of the rental agreement, tenant improvements usually require the prior written approval of the landlord. Supervision is conducted by the landlord. The costs of tenant improvements are paid by the tenant and usually automatically and without indemnity become part, "connected by nail and nature", of the property of the landlord unless otherwise agreed. In some cases the landlord will agree to finance some of the tenant's improvement costs in return for a higher rent.

### *What additional costs should the tenant budget for during the term of the lease?*

The tenant should budget for necessary repairs, maintenance and service charges, as well as electricity and telephone costs for the space.

### *What costs are the tenants responsible for at the end of the lease?*

The tenant must typically surrender the premises in the same state as it was in at the beginning of the lease, in some cases with allowance for fair wear and tear.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

Specialised companies (office hotels or business centres)

offer totally furnished office space with or without reception or administrative services on a short-term basis, monthly, weekly or daily. However, rental prices are substantially higher than a lease with a normal term.

*Is leasing the only option for foreigners wishing to establish an office in your country?*

Foreign companies can pursue both lease and/or owner-occupied solutions.

*Are there restrictions on foreign ownership of commercial buildings in your country?*

There are no restrictions on foreign ownership of commercial property for companies within the member states of EU or the EEA (Economic European Area). Companies not complying with the above status, and which have not been domiciled in Denmark for a period of five years, can only acquire commercial property with the permission of the Danish Ministry of Justice.

## THE LEASE

### *How long are leases generally?*

Leases are generally for five years with an additional five year option. A lease of ten years or longer is possible, particularly if the space to be leased is built-to-suit for the tenant, but this is very unusual. Generally, owners prefer lease terms of five years.

### *What form of agreement would the tenant be asked to sign?*

The tenant is required to sign a legally binding agreement, which is enforceable by Estonian laws. The agreement is normally terminated by mutual agreement of both parties, or if one of the parties violates terms of the agreement.

### *Is the lease legally binding?*

The lease is legally binding according to the Estonian Law of Obligations.

### *Are options to renew or extend the lease possible?*

The parties are free to negotiate any options. If the option to renew is not granted in the original contract, a new contract must be negotiated. Legally, a commercial tenant does not have the right to extend the lease if the lease is concluded for a fixed period.

### *What regulations cover sub-leasing or assigning of leases?*

Generally sub-leasing and assigning of the lease is allowed subject to the approval of the landlord. The landlord is not allowed to refuse approval without good reason.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are mainly quoted in EEK (Estonian Kroon, which is tied to Euro) per square metre per month.

### *When referring to rent, what does this specifically include?*

Rent means absolute net rent per square metre excluding VAT (18%) and operating expenses. It does not include services or the costs of operating the building. Additional charges for water, heating, elevator operation, maintenance of outdoor areas, exterior window washing, electricity in the common areas, cleaning, garbage removal, insurance, electricity in the common areas are paid in the form of a service charge.

### *How is rent adjusted during the term of the lease?*

There is no general rule as to how rent is adjusted. However, the most common practice is to increase rent annually according to the inflation (CPI) index (often there is an agreement between the tenant and landlord concerning lower and upper levels of indexation, for example, "according to consumer price index but not less than 3.5% or not more than 5%") or increase at a fixed rate according to a fixed schedule.

### *How is rent paid – monthly, annually?*

Rent is paid in EEK (Estonian Kroon) monthly in advance, along with service charges.

### *What incentives are offered by the landlord?*

Under current market conditions, one to three-months' rent-free could be offered as an incentive to tenants. Other

incentives may include one to three years rent-free parking or other contributions from the landlord.

## FACILITIES

### *How is floor space measured?*

Usually, floor space consists of what is behind the tenant's door on each floor. Walls and pillars are generally included in this measurement. Distances will be taken from inside facade to inside facade. Common areas (staircases, shafts, elevators) are not included.

### *What is generally provided by the landlord prior to occupation of the space?*

There is no general rule. If a building is newly rented, the landlord delivers a basic fit-out only (lightweight walls, ceilings, lighting and electricity etc.). The tenant is responsible for the costs of further improvements during the lease period unless it has been otherwise agreed between the landlord and tenant.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

The tenant's costs at the time of occupation are primarily those of preparing the space for occupation, for example, installing telephones and computer cables.

### *Is key money charged or a security deposit required at the start of the lease?*

At the start of the lease the tenant normally has to pay a security deposit corresponding to two or three months' rent. In some cases bank guarantees will also be accepted.

### *How are tenant improvements specified, paid for and supervised?*

The conditions for tenant improvements are included in the original contract, sometimes by amendments. The landlord must approve any tenant improvements. Supervision is conducted by the landlord. Fire inspectors and other local authorities are also involved. In some cases the landlord will agree to finance some of the tenant improvement costs in return for a higher rent.

### *What additional costs should the tenant budget for during the term of the lease?*

The tenant should budget for the escalation of standard maintenance costs of the fit-out, as well as cleaning, heating, electricity, cleaning, security services and necessary repairs. Service charges are paid each month (after service is provided). Depending on location (Old town, centre of Tallinn, CBD area) the tenants must also pay a separate fee for car parking.

### *What costs is the tenant responsible for at the end of the lease?*

The tenant is responsible for restoring the premises to a good state of repair, as close as possible to the state in which the tenant first occupied it. If partitions or other additions were made, they must be removed, unless otherwise agreed.

## OPTIONS

*Can furnished office space be leased on a short-term basis?*

Specialised companies (office hotels or business centres) offer totally furnished office space with or without reception or administrative services on a short-term basis, monthly, weekly or daily. However, rental prices are substantially higher than a lease with a normal term.

*Is leasing the only option for foreigners wishing to establish an office in your country?*

Foreign companies may buy or lease space.

*Are there restrictions on foreign ownership of commercial buildings in your country?*

There are no restrictions on foreign ownership of commercial properties.

## THE LEASE

### *How long are leases generally?*

The standard lease is generally signed for three to five years with option for extension. In retail premises, the lease term is usually longer, five to seven years. Longer terms may include break options.

### *What form of agreement would the tenant be asked to sign?*

A standard agreement would be signed, which is usually quite brief since the written law covers many of the terms. Rental agreements are not registered.

### *Is the lease legally binding?*

All leases are legally binding when both parties meet the legal requirements. According to Finnish law, a sale does not break a rental agreement. All purchasers are bound by the existing rental agreements.

### *Are options to renew or extend the lease possible?*

If the option to renew is not granted in the original contract, a new contract must be negotiated.

### *What regulations cover sub-leasing or assigning of leases?*

Standard leases do not allow the tenant to sub-lease or to assign the premises without prior written approval of the landlord. The tenant is liable for all charges resulting from a sub-lease or assignment.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are usually quoted in Euros (€) per month per square metre.

### *When referring to rent, what does this specifically include?*

Leases are usually on a gross rent basis, which includes all of the landlord costs except electricity, insurance and cleaning costs. In a new premises rental agreements are normally made on a net basis, which represents the base amount that a tenant pays for rentable space. The net price does not include the following costs:

- Service charges – costs vary according to the services rendered.
- Parking spaces – charged annually per space used.
- Rent for pro-rata share of common space in a multi-tenant building.
- Value added tax (VAT) – paid annually, currently at 22%, if agreed upon by both parties. The tenant's company must have 100% of its activities domiciled in Finland in order to be able to claim back the VAT paid from the rent.

Additionally, the tenant is responsible for operating costs, insurance (i.e. fire and theft) and maintaining the premises in good condition.

### *How is rent adjusted during the term of the lease?*

Rent is usually adjusted annually at the anniversary date of the commencement of the lease. The percentage adjustment is generally based on the consumer price index (CPI), series all households (2000=100), as published

monthly by the Central Bureau of Statistics (CBS). The rent increase is usually calculated as follows:

$$(L \times I) / A$$

where L= base rent, A = index of the month/ year preceding the execution of the lease and I = index for the month or year preceding the revision date.

### *How is rent paid – monthly, annually?*

Rent is usually paid monthly in advance (within 2nd day of each month). Penalties may be incurred if payment is late.

### *What incentives are offered by the landlord?*

Depending on market conditions, the lease term agreed upon and the strength of the possible tenant, incentives, such as a rent-free period, partitioning or other contributions from the landlord are possible. Investment costs in the premises are negotiable.

## FACILITIES

### *How is floor space measured?*

In Finland, floor space is measured as the usable area, without the building's structural and mechanical core elements. A proportion of the common spaces, such as entrance halls, hallways and toilets are usually included according to the ratio of space leased to total space in the building.

### *What is generally provided by the landlord prior to occupation of the space?*

The fittings provided by the landlord are negotiable and may vary. Generally, the landlord simply provides clean space with suspended ceilings, lighting, but without carpeting and partitioning. However, newly built office space might include underfloor electric system linkage and even so-called "turn-key" space. Office space that has already been occupied usually contains extras left by the former tenant.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

The tenant must usually pay a deposit equivalent to three months' rent, depending on the financial status of the tenant. Alternatively, a bank guarantee or a guarantee from the parent company may also be accepted.

The real estate agent is paid by his client, whether tenant or owner, based on the "one party representation system", which guarantees the independence of the agent.

### *Is key money charged or a security deposit required at the start of the lease?*

A deposit equivalent to three months' rent or a bank guarantee is required. This amount does not increase during the term of the rental agreement, when rent is reviewed.

### *How are tenant improvements specified, paid for and supervised?*

The conditions for tenant improvements are included in the original contract, sometimes by amendments. The landlord must approve any tenant improvements. Fire inspectors and other local authorities might also be involved. Specific

improvements must be financed by the tenant, but general improvements, such as partitioning, telephone, etc. may be financed by the landlord, who will then recover the investment by amortizing the costs over an agreed period of time.

*What additional costs should the tenant budget for during the term of the lease?*

The tenant should budget for necessary repairs and maintenance of the rented space and insurance. Improvements, which will not be paid for by the landlord, should also be included in a supplementary budget.

*What costs are the tenants responsible for at the end of the lease?*

At the end of the lease, the tenant is responsible for all the costs of restoring the premises to the same condition as it was at the beginning of the lease. The tenant is not responsible for normal wear and tear.

## OPTIONS

*Can furnished office space be leased on a short-term basis?*

Yes, specialized companies offer totally furnished office space with or without reception or administrative services on a short-term basis, either monthly, weekly or daily. However, rental prices are much higher than for a lease with a normal term.

*Is leasing the only option for foreigners wishing to establish an office in your country?*

The purchase of property may also be an option.

*Are there restrictions on foreign ownership of commercial buildings in your country?*

There are no restrictions on foreign ownership of commercial property.

## THE LEASE

### *How long are leases generally?*

The standard and minimum fixed term of a commercial lease is nine years, with break clauses at three and six years to the sole benefit of the tenant. Leases exceeding 12 years are not common as a notarized deed is then required to allow its compulsory registration at the Land Registry. Under the terms of this lease, the owner may not cancel it before its end, but the tenant is entitled to break it at the end of every three years period, subject to compliance with the Commercial Code. These possibilities for termination during the lease may be waived, at the request of the owner or the tenant, when the lease is signed.

### *What form of agreement would the tenant be asked to sign?*

There is no standard lease document in commercial real estate; each landlord chooses the form to be used. However, some of the issues that need to be addressed in each lease include the length of the lease term, the authorised use of the property, service charges, taxes and rates, and indexation. The lease must be registered with the local tax authority only if it has been signed for 12 years. The lease is not generally registered with the local tax authority if it is for less than 12 years. Lease refers to the French Commercial Code.

### *Is the lease legally binding?*

The lease is legally binding on both parties. The tenant is generally responsible for all liabilities during the term of the lease and following any subletting or assigning of the lease.

### *Are options to renew or extend the lease possible?*

At expiry of the initial lease (in the ninth year in most cases), the tenant benefits from a statutory right to renew the lease. The term of the renewed lease will be nine years unless previously agreed otherwise. However, the landlord can refuse the lease renewal and offer to pay an eviction indemnity covering the losses incurred by the tenant. The level of the compensation is either negotiated or established through a standard legal procedure. If the landlord proposes to renew and the tenant does not accept the new price, the new rent is determined through a standard legal procedure in line with market prices.

### *What regulations cover subleasing or assigning of leases?*

The tenant is not permitted to sublet unless the parties agree to the contrary and comply with strict formalities.

The tenant is not allowed to assign its lease except to the purchaser of its on-going business. Otherwise the assignment of the lease alone usually requires specific authorisation by the landlord.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are quoted in Euros (€) per square meter per year. When initially establishing rent, landlords may not specify the number of square metres being leased, preferring to describe the premises that the tenant declares that he knows and accepts at the agreed rental level. However, if the number of square metres is specified in the lease, the tenant is entitled to claim a reduction in the rent if the difference

between the number of square metres stated in the lease and the actual number of square metres is in excess of 5%.

### *When referring to rent, what does this specifically include?*

The rent only includes the price paid to the owner for the use of the premises. In addition, the tenant has to bear the costs for operating charges, insurance, and maintenance of the premises. Usually the tenant must also reimburse the landlord for local property taxes and office taxes.

### *How is rent adjusted during the term of the lease?*

The rent is usually adjusted each year. The increase or the decrease of the rent due to a triennial revision cannot exceed the variation of the French construction cost index. Moreover, if the rent increase or decrease is more than 25% different from the last contractual rent (i.e. initial rent or rent of renewal), the new rent must be adjusted according to the market rent.

### *How is rent paid – monthly, annually?*

Rent is commonly paid quarterly in advance. There are penalties for late payment, and the landlord is entitled to request termination of the lease in the case of defaulted payment.

### *What incentives are offered by the landlord?*

The level of incentives depends on local market conditions. Rent-free periods and/or financial participation for works may be offered to the tenant.

## FACILITIES

### *How is floor space measured?*

Floor space is measured as the usable area, meaning the entire space with the exception of vertical circulations, such as stairs, elevators and ducting. Useable area includes internal walls, pillars, corridors and toilets. Generally, a share of common spaces might be added to the surface of the leased premises.

### *What is generally provided by the landlord prior to occupation of the space?*

In general, office accommodations are carpeted by the landlord and offered together with suspended ceilings, lighting, electrical wiring, and mechanical and electrical servicing. Tenants who use sophisticated electronic equipment should check carefully to be sure adequate power pointing is available. Buildings do not include internal partitioning.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

The tenant must pay three months' rent in advance, transaction fees and a deposit

During the lease period, the tenant bears the costs of non-structural repairs and maintenance.

### *Is key money charged or a security deposit required at the start of the lease?*

There is no key money for office buildings. A deposit equivalent to one term of rent (three months' rent in most cases) – in addition to the rent in advance – is required.

This amount is adjusted in accordance with rent increases. The deposit does not bear interest for the tenant. It can be delivered either in cash or through a bank guarantee. In that case, it is important to check that the guarantee can be assigned to every future purchaser.

*How are tenant improvements specified, paid for and supervised?*

In general, the tenant is responsible for the fit-out, subject to approval by the landlord's architect or his technical advisor. The landlord may finance general improvements, such as partitioning, telephone, etc, and will then recover the cost of the improvements through additional rent. Specific improvements, such as computer rooms, must be financed by the tenant. The tenant may pay for these improvements with cash, or may arrange for the landlord to finance them with the cost of the investment gradually paid back through higher rent. Fittings, improvements and alterations of whatever nature to the leased premises automatically become the landlord's property when attached to the leased premises.

*What additional costs should the tenant budget for during the term of the lease?*

The tenant should budget for increases in operating costs, property management fees, landlord's insurance, taxes and rent as a result of the annual adjustment. Under the French Civil Code, the tenant is only responsible for the costs of non-structural repairs, the structural repairs and cleaning and repairs of the façade (respectively defined by Article 606 and 605 of the French Civil Code) being borne by the landlord. However the landlord may require that the whole of the repairs remain under the tenant's responsibility in order to allow a triple net rent, even if the Court may decide the contrary in case of litigation. The tenant must also pay value added tax (TVA) of 19.6%. If a tenant cannot recover TVA, they may request to be charged with a lower non-recoverable tax.

*What costs are the tenants responsible for at the end of the lease?*

At the end of the lease, the property must be restored to the same condition it was in at the beginning. The cost of this is often deducted from the deposit before the landlord returns it.

## OPTIONS

*Can furnished office space be leased on a short-term basis?*

The shared office concept provides furnished office space on a short-term basis. In most major cities, shared office complexes provide fully furnished individual offices or suites, complete with telephones, secretarial services and shared conference facilities. Usually these offices are in first class buildings and offer users all the conveniences of established office facilities. However, because the costs of such facilities are relatively high, this type of arrangement may be suitable only in the short term or for small offices.

*Is leasing the only option for foreigners wishing to establish an office in your country?*

Foreigners may either purchase or lease properties in France; however, the majority begin with a lease in order to conserve capital for development of operations.

*Are there restrictions on foreign ownership of commercial buildings in your country?*

Under the present circumstances, there are no specific restrictions on foreign ownership of commercial buildings in France.

## THE LEASE

### *How long are leases generally?*

Leases are generally for five years, with an additional five years option. However, a lease of ten years or longer is possible for some buildings, particularly if the space to be leased is improved or built-to-suit for the tenant. Generally, owners prefer lease terms of ten years. Lease terms may, very rarely (about 1% of the time), be over 15 years long.

### *What form of agreement would the tenant be asked to sign?*

A tenant generally would be asked to sign one of the following:

- A standard contract, with blanks where information must be filled in, written by the House and Landowners Society of Germany (Haus und Grundbesitzer Verein)
- An individual contract based on the landlord's proposal. This practice is common among the major real estate owners and companies.

### *Is the lease legally binding?*

The lease is legally binding according to German General Law or "BGB".

### *Are options to renew or extend the lease possible?*

If the option to renew is not granted in the original contract, a new contract must be negotiated. Legally, a commercial tenant does not have the right to extend the lease if not agreed upon in the contract.

### *What regulations cover sub-leasing or assigning of leases?*

If sub-leasing is allowed, it will be stated in the contract. If it is not stated in the contract, then the landlord must give his approval.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are quoted in Euros (€) per square metre per month.

### *When referring to rent, what does this specifically include?*

Rent means absolute net rent per square metre. It does not include services or the costs of operating the building. Additional charges for taxes, water, heating, elevator operation, repairs, cleaning, exterior window washing, garbage removal, insurance and electricity in the common areas are paid in the form of a service charge every month in advance. Tenants must also pay a separate fee for car parking.

### *How is rent adjusted during the term of the lease?*

There is no general rule as to how rent is adjusted. However, the most common practice is to either increase rent as the inflation index rises or increase rent annually, usually in January, according to the inflation index. Staged rents, which increase at a fixed rate according to a fixed schedule, are also common.

### *How is rent paid – monthly, annually?*

Rent is paid in Euro (€), monthly in advance, along with service charge.

### *What incentives are offered by the landlord?*

Under current market conditions, three to six-months' rent-free is often offered as an incentive to tenants. Currently, depending on the condition and location of the building, the following incentives can be negotiated:

- Rent-free terms
- Subsidy of installation costs of fixtures
- Taking over the costs of existing lease contracts of computer cables.

## FACILITIES

### *How is floor space measured?*

There is no rule in Germany. Usually, floor space consists of what is behind the tenant's door on each floor. Lightweight walls are generally included in this measurement, as are toilet facilities, kitchens, storage, and a percentage of the building's common areas. Usually it refers to rental area of commercial premises (RA-C).

### *What is generally provided by the landlord prior to occupation of the space?*

The landlord generally provides carpet, lightweight walls, ceilings, lighting and electric wiring at the beginning of the leasing contract. The landlord is also responsible for insurance and structural repairs. The tenant is responsible for the costs of further improvements during the lease period.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

The tenant's costs at the time of occupation are primarily those of preparing the space for occupation, for example, installing telephones and computer cables.

### *Is key money charged or a security deposit required at the start of the lease?*

At the start of the lease, three-months' gross rent is required as a security deposit. Bank guarantees will also be accepted.

### *How are tenant improvements specified, paid for and supervised?*

The conditions for tenant improvements are included in the original contracts, sometimes by amendments. The landlord must approve any tenant improvements. Fire inspectors and other local authorities might also be involved, if the type of improvement to be made warrants their interest. Often the landlord will finance some of the tenant improvements costs, then recover the investment through higher rent.

### *What additional costs should the tenant budget for during the term of the lease?*

The tenant should budget for the escalation of standard maintenance costs for the term of the lease, as well as electricity and telephone charges of the space. Service charges, which are paid each month in advance, will not increase during any given year of the lease. At the end of each year, the landlord will calculate the actual costs of the services compared to the charges the tenant paid and refund money as needed.

*What costs is the tenant responsible for at the end of the lease?*

The tenant is responsible for restoring the premises to a good state of repair, as close as possible to that state in which the tenant first occupied it. If partitions or other additions were made, they must be removed, unless otherwise agreed.

## OPTIONS

*Can furnished office space be leased on a short-term basis?*

Service accommodations, which provide two to three rooms, are available for short periods of time. If a tenant also requires secretarial assistance, telephone and fax service, tenancy in a specialized office firm would be the best option.

*Is leasing the only option for foreigners wishing to establish an office in your country?*

Foreign companies may buy or lease space.

*Are there restrictions on foreign ownership of commercial buildings in your country?*

No.

## THE LEASE

### *How long are leases generally?*

The standard lease is for a term of 12 years, with a break clause at two years (total of 14 years). After two years of the initial term, the tenant has the right to leave, but must give six months' notice and pay the landlord compensation equivalent to four months' rent.

### *What form of agreement would the tenant be asked to sign?*

The tenant would be expected to sign a formal lease that is binding upon both parties. There is no standard lease document for office space. However, there are a number of clauses that are always covered in a lease contract.

### *Is the lease legally binding?*

The lease is legally binding. The landlord is obliged to have it stamped and registered with the Inland Revenue Office within one month. It is advisable for the tenant to also register it with the Inland Revenue Office, both as a precautionary measure and because it will be required by the company in order to obtain operating permits, apply for telephone lines, etc.

### *Are options to renew or extend the lease possible?*

By law, the tenant is granted a four-year extension of the original lease term.

### *What regulations cover sub-leasing or assigning of leases?*

Sub-leasing usually requires the landlord's consent, which is rarely refused if a detailed description of the sub-lessee is provided and the sub-lessee has direct financial interests with lessee or is a part of the overall tenant company's group. This should be detailed in a specific clause. Generally, landlords do not accept sub-leasing without prior consent and due diligence.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are quoted in Euros (€) per square metre per month.

### *When referring to rent, what does this specifically include?*

In addition to basic rent, the tenant commonly pays a stamp duty every month, which is currently 3.6% of the monthly rent. This can be negotiated and shared equally between the tenant and landlord. In many instances, the subject of who pays the stamp duty can be a deal-breaker. There is also a monthly service charge that covers the cost of the building's maintenance and operating expenses.

### *How is rent adjusted during the term of the lease?*

Rent is adjusted through annual increases as agreed to at the beginning of the lease. The increases are generally based on the inflation rate plus 1% to 2% extra and are negotiable. It is also common that annual indexations can be a mutually agreed upon flat percentage (currently between 4%-5%). Service charges are adjusted each month, depending on the building's operating costs.

### *How is rent paid – monthly, annually?*

The first month's rent is paid upon the signing of the contract. Thereafter, rent is paid monthly in advance.

### *What incentives are offered by the landlord?*

Incentives are usually very limited, but short rent-free periods (from one to two months) to allow for fit-out may be granted or a small number of free parking stalls (if available).

## FACILITIES

### *How is floor space measured?*

Generally, floor space is measured as the gross internal area including walls, but excluding common areas. Common areas are almost always included if the whole building is rented to one tenant. Certain ownerships in specific buildings include these common areas, but these are exceptions and not the norm. However, there is no standard for measuring floor space in multi-tenant buildings. In Athens, tenants are responsible for a proportionate share of the service charges, but not based on the amount of space leased. For example, a ground floor tenant would pay less for lift maintenance and common electricity consumption than occupants on higher floors. In Thessaloniki, tenants are assessed a proportionate share of the common areas based on the occupied space.

### *What is generally provided by the landlord prior to occupation of the space?*

In most cases, new accommodations are offered in basic form. The tenant is responsible for completing finishes such as lighting, carpeting, partitioning, etc.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

The tenant usually pays two months' rent as a deposit and the first month's rent plus the stamp duty that corresponds to the rent (but is not applicable to the two-month deposit). Legal costs are borne equally by the parties.

### *Is key money charged or a security deposit required at the start of the lease?*

The usual deposit is equivalent to two months' rent. Key money is always sought in the case of high-street retail locations, but rarely for office space.

### *How are tenant improvements specified, paid for and supervised?*

The fit-out is usually organized by the tenant, subject to the landlord's approval. The tenant also finances the improvements in most cases. In most Class A premises, landlords have their own teams or can sub-contract. It is advisable that all tenant specs are listed, with prices, etc. and that this forms an appendix to the lease agreement. The landlord remains owner of the improvements when the tenant leaves the premises.

### *What additional costs should the tenant budget for during the term of the lease?*

The tenant should budget for annual increases in rent owing to the escalation clause. However, value added tax (VAT) is not charged on rent. VAT may or may not be applied to service charges, depending on how property management accounting is conducted. Service VAT in Greece is 18%. Other duties that refer to the occupied space are small

municipal taxes, municipal waste disposal, etc. that are usually incorporated and clearly stated within the Public Electrical Company's bi-monthly bill.

*What costs are the tenants responsible for at the end of the lease?*

At the end of the lease, the tenant must bear the costs of returning the property to the same condition it was in at the beginning of the lease, but this should be thoroughly discussed with landlord at the appropriate time. Most landlords are flexible and usually can accept the condition of the property upon expiration in "as is" condition, but only with their prior consent.

## OPTIONS

*Can furnished office space be leased on a short-term basis?*

In Athens there are only a few small, serviced office suites suitable for relatively short terms.

*Is leasing the only option for foreigners wishing to establish an office in your country?*

In Greece, foreigners can buy as well as lease. For leasing, there must be a professional business address in order for a company to establish itself as a legal entity. The company's Greek lawyers or accountants can supply this until a suitable space is leased and all bureaucratic works completed for the incorporation of a company.

*Are there restrictions on foreign ownership of commercial buildings in your country?*

In order to purchase property in Greece, the purchaser must be "established," i.e. operate as a branch or parent company and is registered for VAT.

WORLDWIDE  
LEASING  
GUIDELINES

## THE LEASE

### *How long are leases generally?*

The typical lease term is two or three years with or without the option(s) at open market rental.

### *What form of agreement would the tenant be asked to sign?*

A tenant will normally be asked to sign a standard lease agreement. Landlords may be reluctant to allow amendments but minor amendments will be entertained. Each party will have an individual legal representative and each party shall bear its own legal costs.

### *Is the lease legally binding?*

Leases are legally binding in accordance with the laws of Hong Kong SAR. The government requests that all leases to be registered with the Land Registry. A nominal registration fee is payable by the landlord and the tenant.

### *Are options to renew or extend the lease possible?*

It is common for landlords to grant options for renewal or extension at the open market rental.

### *What regulations cover subleasing or assigning of leases?*

No sub-letting or assignment will be allowed.

## RENTAL

### *In what monetary units are rents quoted?*

Rental is quoted in Hong Kong Dollars per square feet per month.

### *When referring to rent, what does this specifically include?*

Rental is exclusive of air-conditioning, management fee, rates and all out-goings charges.

### *How is rent adjusted during the term of the lease?*

Rental is fixed during the term of two or three years but the management fee and air-conditioning charges are subject to review by landlord.

### *How is rent paid – monthly, annually?*

Tenant will pay rent on a monthly basis.

### *What incentives are offered by the landlord?*

Landlords would consider granting rent-free periods, license periods and some allowances for decoration (optional) subject to the benchmarking effective rental.

## FACILITIES

### *How is floor space measured?*

Normally, the area is measured either by gross, lettable or net basis subject to different landlords' criteria.

### *What is generally provided by the landlord prior to occupation of the space?*

Landlords generally provide ceiling grids, tiles, lighting boxes, sprinkler system and partitioning wall for the adjacent units if the floor plate is sub-divided.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

The tenant is responsible for the following:

- A security deposit, usually two to three months' rent, air-conditioning and management fee
- A rental advance, usually one month's rent
- A management or service fee charge, paid monthly or quarterly in advance, together with the rental
- Government rates represent approximately 5% of the rentals will be paid on a quarterly basis
- Fitting-out costs
- Fitting-out coordination costs
- Car rental and deposit
- Agent or broker fees, usually one month's rent, if not paid by the landlord

### *Is key money charged or a security deposit required at the start of the lease?*

In general, no premium or key money is charged at the beginning of the lease. However, as mentioned above a security deposit equivalent to two to three months' rent is normally paid at the beginning of the lease.

### *How are tenant improvements specified, paid for and supervised?*

All tenant improvement work has to be approved in writing by the landlord and relevant authorities. Plans should be submitted and approved prior to commencement of the work. Some buildings have their nominated contractors to do HVAC, fire protection, electrical wiring and fit-out work. For use of an outside contractor, landlords may charge a management fee.

### *What additional costs should the tenant budget for during the term of the lease?*

Apart from the contractual obligations of rent, air conditioning, management service charges, telecommunications, insurance, etc., there should be no other related costs during the period of the lease. However, it is prudent to provide an allowance for the possible increase in management and service charges as they can increase during the lease term plus insurance.

### *What costs are the tenants responsible for at the end of the lease?*

At the end of the lease, the property must be reinstated to the "bare-shell" conditions together with the landlord's standard provisions.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

A number of small furnished units (e.g. business centres) can be leased on a monthly basis. The rent for this type of space is comparatively higher than market rent for premises leased on a contractual basis.

*Is leasing the only option for foreigners wishing to establish an office in your country?*

No, foreigners may purchase properties under the identity of an individual or a limited company. The option of buying property can shield the end-user from the fluctuations of rental costs, and can provide the advantage of capital expenditure tax allowances.

*Are there restrictions on foreign ownership of commercial buildings in your country?*

Basically, there is no restriction on foreign ownership of commercial buildings in Hong Kong. However, prospective buyers need to either set up a limited company to hold the property or buy under his/her own name.

## OTHER

*How can disputes between landlords and tenants be settled?*

It is common for the lease agreement to provide that should any dispute arise between the landlord and the tenant regarding the lease agreement, which is normally governed in accordance with the Laws of Hong Kong Special Administration Region (HKSAR). In the case of no resolution made after consultation, either party may refer the dispute to their solicitors for legal actions via civil courts under the Landlord and Tenant Consolidation Ordinance in HKSAR.

Both parties can go for arbitration. However, it is rare for a lease agreement dispute to be referred to an arbitration body in another country due to the high costs incurred by both parties, unless it is considered justified and agreed by both parties.

*What documents will the landlord require prior to signing the lease agreement?*

The tenant must produce a copy of business registration with the government, the Memorandum of Articles, Form C (i.e. Form Tenth – the list of all directors as required by Company Registry) and minutes of resolution.

*In which language is the lease agreement?*

Both English and Chinese are acceptable.

## THE LEASE

### *How long are leases generally?*

Lease periods are generally three or five years, with an option period equal to the length of the original lease term.

### *What form of agreement would the tenant be asked to sign?*

There is no specific form of contract that must be used in commercial real estate; instead the landlord generally supplies a standard draft contract. However, most international legal firms in Budapest will require that particular issues be addressed consistently. International leases are usually between ten and twenty pages in length, while Hungarian leases average three to five pages. Leases are generally written in English or in Hungarian or both. However, German-Hungarian leases are also usually acceptable.

### *Is the lease legally binding?*

Yes, lease contracts are binding under the Hungarian Civil Code.

### *Are options to renew or extend the lease possible?*

It is possible to renew or extend a lease. This is done either with six to twelve months' written prior notice to extend, or with six to twelve months' written prior notice *not* to extend (the lease automatically extends if tenant does not notify). These extensions are usually with the same terms and conditions; however depending on market situation those terms can be renegotiated.

### *What regulations cover sub-leasing or assigning of leases?*

Most leases specifically require the written consent of the landlord to sub-lease or assign a lease, although it is common to state that this will "not be unreasonably withheld delayed or conditioned".

## RENTAL

### *In what monetary units are rents quoted?*

Rents are quoted in Euros (€) per square metre per month.

### *When referring to rent, what does this specifically include?*

The term rent refers to a net rent (office, storage, and parking rents separately), which excludes operating costs.

### *How is rent adjusted during the term of the lease?*

All rental payments (office rent, parking rent, storage rent) shall be indexed annually, on the 1st of January each year according to the annual change of the EURO HICP (Harmonized Index of Consumer Prices)

### *How is rent paid – monthly, annually?*

Rent is paid monthly or quarterly in advance.

### *What incentives are offered by the landlord?*

Rent-free periods and/or cash contribution (higher fit-out contribution, which would be above the standard. Budapest market is a turn-key market)

## FACILITIES

### *How is floor space measured?*

Varies between RICS, GIF, and BOMA standards, and sometimes is a mixture.

### *What is generally provided by the landlord prior to occupation of the space?*

The space is provided fully fitted-out, however the cost of extras shall be borne by the tenant. Two to six versions of space plans are also provided free of charge.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

Rents, service charge, maintenance of the leased area.

### *Is key money charged or a security deposit required at the start of the lease?*

A security fee equivalent to three months' gross rent, either on deposit or as a bank guarantee is standard.

### *How are tenant improvements specified, paid for and supervised?*

Usually tenant improvements are the IT cabling, the server room, and reception desk (depending on the standard fit-out, sometimes also the fit-out for kitchen). Tenant improvements to be made after occupancy may only be performed with the prior written approval of the landlord and are made at the tenant's expense. Often the landlord may require the tenant to remove any improvements upon lease termination. If the landlord finances the improvements and amortizes the cost over the term of the lease, the tenant will usually pay higher base rent.

### *What additional costs should the tenant budget for during the term of the lease?*

Many tenants budget for rent indexation, generally 1.5-3%. Some elements of the service charge (utility costs, cost of sub-contractors, etc.) will increase as well.

### *What costs are the tenants responsible for at the end of the lease?*

Most of the time: the reinstatement costs. The tenant must bear the cost of returning the space to its original condition, minus normal wear and tear.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

There are currently three main serviced-office companies (REGUS, First Clients, DBH) operating in Budapest. Telephone and fax service and secretarial assistance may be obtained at additional cost.

### *Is leasing the only option for foreigners wishing to establish an office in your country?*

Foreigners may also purchase property, however the market for such is more limited. The larger the space required the harder it is to find. Smaller requirements can be fulfilled in residential space as well (20-200 sqm).

### *Are there restrictions on foreign ownership of commercial buildings in your country?*

With the exception of land and protected natural area, foreigners and foreign companies are free to purchase property in Hungary.

## THE LEASE

### *How long are leases generally?*

Normally, lease terms are three to five years with similar consecutive option periods. However, in the case of leases for large spaces, longer term leases may be negotiated.

### *What form of agreement would the tenant be asked to sign?*

Due to highly restrictive Rent Control Acts which exist in all Indian states and which provide tenants with significant protection, landlords may require that a "Leave and License Agreement" be executed. This is a simplified lease agreement, which is normally granted for three years, possibly with an option term. For all practical purposes, a Leave and License Agreement operates in a similar manner to a lease; however, little protection is provided to the tenant in the event of a dispute. The Rent Control Act provides the tenant with substantive protection from rental increases and eviction. If the tenant seeks protection under this act, it is virtually impossible for the landlord to regain possession of his property. Negotiations are normally concluded by respective brokers in conjunction with the landlord and the tenant. The landlord's solicitors prepare the initial Leases or Leave and License Agreement. It is not, however, uncommon for this documentation stage to be utilized as a period of further negotiation by the landlord and as such it is in the interest of tenants to conclude a formal agreement as quickly as possible. Therefore, it is advisable to sign a letter of intent at this stage confirming the commercial terms. In many of the more progressive states including Karnataka (Bangalore), Delhi and Maharashtra (Mumbai), changes, which would exclude corporate lessees from securing any protection under the Act, are being drafted to the Rent Control Act. Under this amendment, companies with a paid-up equity capital of Rs. ten million have been excluded from seeking any protection under the Rent Control Act.

### *Is the lease legally binding?*

Yes.

### *Are options to renew or extend the lease possible?*

Most Indian landlords have no objection to an option term for a period equivalent to the initial term. However, when the option is exercised, it is customary for rent and the security deposit to be reviewed according to mutually acceptable terms either to market levels or to be adjusted by a fixed increment.

### *What regulations cover sub-leasing or assigning of leases?*

Generally, landlords are opposed to sub-letting or assigning of leases. In particular situations, tenants may secure permission to sublet to an associated company, however, this would have to be agreed to in the initial Agreement. An associated company could be the holding company, principal shareholder in a joint venture, or a sister concern in the same group.

## RENTAL

### *In what monetary units are rents quoted?*

India utilizes the imperial measurement system, with rents quoted in Rupees per square foot per month. Deposits and annual rent may also be quoted in the Indian numbering system of tens, hundreds, thousands, hundreds of thousands

(lakhs) and ten millions (crores) | Crore = 10 Million; | Lakh = 100,000. Thus 350,000 is written as 3,50,000 or 3.5 lakhs and 10,550,000 is written as 1,05,50,000 or 1 crore, 5 lakhs and 50 thousand Rupees.

### *When referring to rent, what does this specifically include?*

In most Indian cities net rent is quoted. The tenant is responsible for electricity, water and telecommunications charges consumed in the individual premises. In the past the landlord bore the cost of other outgoings, such as municipal taxes and common area expenses (which include cleaning, security, electricity and water charges and non-occupancy charges), however, increasingly responsibility for payment of these expenses is negotiated. For office space, the tenant is generally responsible for maintenance charges, power back-up costs and other maintenance costs.

### *How is rent adjusted during the term of the lease?*

Normally, rents are fixed for the duration of the initial lease term. If the option to renew the lease is exercised, then a 15% to 25% simple interest increase in the effective rent is customary. Where the initial lease term is for a period of three to five years or longer, it is common practice for an increase, similar to the one described above, to be implemented on commencement of the fourth year and every three years thereafter.

### *How is rent paid – monthly, annually?*

The method of payment varies from city to city. The following provides a general guide:

- Mumbai (Bombay): The rent is paid monthly in advance, by the 7th of each month. Security Deposit amount equals six to twelve months' rent.
- New Delhi: Generally an amount equal to six months' rent is paid as rental advance at the time of signing the agreement. This advance rent amount is offset in the first year as the tenant pays a rent amount of 15 days on a monthly basis. The other 15 days' rent is adjusted from the six-month rental advance. Security Deposit amount equals six months' rent.
- Bangalore: The rent is paid monthly in advance, by the 7th of each month. Security Deposit amount equals 15 to 18 months' rent.
- Chennai: The rent is paid monthly in advance, by the 7th of each month. Security Deposit amount equals ten to twelve months' rent.

### *What incentives are offered by the landlord?*

Landlords may offer a rent-free period of one to three months. However, offering rent-free periods is not a common practice and is subject to negotiations with the landlord.

## FACILITIES

### *How is floor space measured?*

Commercial premises throughout India are measured on three different bases as follows:

- Carpet Area: This is the total internal area of the space measured from the internal walls. Carpet area would broadly equate to a standard BOMA net lettable area calculation.

## WORLDWIDE LEASING GUIDELINES

- **Built-up Area:** This is the total area of the premises measured from the external perimeter wall surfaces and incorporates an allocation of common areas on the same floor, excluding lift core and fire stairs. Built-up area is usually 20%-25% larger than carpet area.
- **Super Built-up Area:** This incorporates built-up area, but also includes a proportional allocation of all common areas including stairs, lift cores, ground floor lobby, and the caretaker's office, etc. throughout the entire building. Super built-up area usually is 35%-40% larger than carpet area. The convention is for all premises to be leased according to their built-up area. When an offer is made, rent is quoted on a per square foot basis, along with the deposit amount that the landlord deems to be appropriate. Once the parties have agreed upon this rate, taking the deposit and interest accruing to the landlord thereon into account, the measurement of the premises to determine total rent is made.

### *What is generally provided by the landlord prior to occupancy of the space?*

The landlord usually provides the tenancy area in a "lock-up" standard, which provides for a basic shell finished with either a terrazzo or ceramic tile floor and painted or plastered ceilings and walls. Consequently, the tenant is responsible for undertaking all required interior works reticulated or suspended ceiling, power and telecommunications reticulation, lighting, etc. Some of the newer buildings have central air-conditioning and in such buildings, the tenant is required to install air-conditioning ducts as per their requirement of interior and office layout. Even the smallest tenancy is normally provided with either unisex or separate male and female toilets, often with an additional executive toilet, and a small pantry. All these areas are included in the calculation of the tenant's carpet area.

## COSTS

### *What costs does the tenant incur at the time of occupancy?*

Most landlords will require full payment of the rent for the first month and the security deposit before possession to the premises is granted. The tenant may also have to pay a telephone line connection fee, if the tenancy does not include a connection. In addition, parking fees as well as the payment for the negotiated outgoings form part of further tenancy costs. Each party bears its own legal costs.

### *Is key money charged or a security deposit required at the start of the lease?*

To obviate the risk of leasing out of premises and subsequently losing possession to a tenant with no financial stake in the relationship with the landlord, substantial rental deposits have become common throughout India. Deposits are also recognized as interest free financing. Please note that these deposits are in addition to the monthly rent payable to landlords. Deposits are provided to the landlord on an interest free basis and are repaid on termination of the lease. However, the notional or interest income that the landlord is likely to earn is taken into account when establishing the residual rent paid by the tenant. Although the deposit is returned to the tenant on expiration of the lease term, there are certain credit risks associated with lodging such substantial sums. Moreover,

most landlords strongly resist any attempt by the tenant to secure the deposit by means of a reciprocal bank guarantee. Prospective tenants should fully appreciate the risks involved in paying such substantial capital sums and we strongly recommend that professional advice be sought to structure an appropriate license agreement. In addition, certain diligent investigations should be undertaken into the landlord's title, ability to lease the premises and capacity to repay the deposit.

### *How are tenant improvements specified, paid for and supervised?*

As the majority of space is offered as a basic shell and not furnished, costs may range from Rupees (Rs) 1,200/sq. ft. – Rs 2,000/sq. ft. depending on the standard of finishes, furniture, and mechanical/electrical services that are required.

Architects and interior designers who prepare layouts are available in most Indian cities. It is advisable to engage a specialist interior fit-out consultant once there is interest in a specific property. The landlord has final approval on any improvement work to be done. The majority of Indian landlords are not interested in financing tenancy fit-outs unless the return is particularly attractive and, as a consequence, most tenants fund their tenancy improvements directly.

### *What additional costs should the tenant budget for during the term of the lease?*

With the rental paid to the landlord fixed throughout the initial lease term, tenants should budget for increases in maintenance, telecommunications and electricity charges. If agreed to in the initial Agreement, tenants may also need to budget for outgoings such as municipal taxes, society charges, etc.

### *What costs are the tenants responsible for at the end of the lease?*

While most Agreements specify that the landlord can require a tenant to remove all improvements to the premises, if they are of a reasonable quality, it is quite common for this condition to be waived.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

In most large Indian cities, there are numerous serviced office operators who provide a wide range of furnished offices of varying quality and cost. Specific requirements need to be married to the availability and flexibility.

### *Is leasing the only option for foreigners wishing to establish an office in your country?*

In addition to leasing, foreign companies wishing to establish an office in India are permitted to purchase property subject to certain specific conditions.

### *Are there restrictions on foreign ownership of commercial buildings in your country?*

A person resident outside India is not permitted to acquire immovable property in India (other than through a lease for a term of less than five years) without the prior permission of the Reserve Bank. However, a person who

has established a branch office or other place of business (other than a liaison office) for carrying on any activity in India can acquire immovable property in India which is necessary for or incidental to carrying on such activity. A declaration in the prescribed form has to be filed with the Reserve Bank within 90 days of such acquisition. An Indian subsidiary set up by a company resident outside India would be an Indian resident and is permitted to acquire movable and immovable property. Even the creation of a charge/ security over immovable property in India in favour of a non-resident would require prior Reserve Bank approval.

## THE LEASE

### *How long are leases generally?*

Leases are typically three years. Large established tenants trend towards longer terms of five to ten years and new tenants will often take shorter terms due to business and economic uncertainty.

### *What form of agreement would the tenant be asked to sign?*

The tenant and the landlord would sign a tenancy agreement or lease. Car parking is an item for lease negotiations. Generally, one parking space is allotted for every 100 square meters (538 square feet) leased.

### *Is the lease legally binding?*

Yes, the lease is legally binding under Indonesian Contract law. Occasionally, the lease is signed in front of a notary.

### *Are options to renew or extend the lease possible?*

Yes. The conditions and terms for options to renew would be outlined in the original lease document.

### *What regulations cover subleasing or assigning of leases?*

All leases have an alienation clause under which the process of subletting or assignment is described. However, subleasing and assigning are typically subject to the landlord's approval. Sometimes the landlord will establish limitations on assigning of the lease due to financial concerns.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are quoted in US dollars and Rupiah (IDR) per square meter per month.

Rent is quoted separately to service charges. Service charges represent actual costs of service and some buildings provide an independent audit of service charges.

Premium Grade buildings are usually quoted in US dollars. There are variations to these guidelines with some building quoting rental in US dollars and service fees in Rupiah, alternatively some buildings quote a US dollar rental with a fixed Rupiah exchange rate.

### *When referring to rent, what does this specifically include?*

The term rent does not include service charges and tax or PPN. PPN, which is equivalent to a value added tax, is currently charged at 10% of rent and 10% of service charges. Generally, rent is quoted on a semi gross basis, combining the net office area and a share of the common areas.

### *How is rent adjusted during the term of the lease?*

Rent is adjusted based on clauses within the lease document. Rent is usually fixed for a three-year period with a rental review at the end of the third year to market values, but there are some cases of a fixed percentage increase or capped reviews.

### *How is rent paid – monthly, annually?*

Rent is paid quarterly or bi-yearly in advance.

### *What incentives are offered by the landlord?*

The landlord might offer a rent-free periods, fit-out package in the case of large tenants on a case by case basis, or free car parking as incentives.

## FACILITIES

### *How is floor space measured?*

Floor space is measured on a semi-gross basis, combining net office area with a share of common areas, such as lift lobbies, toilet facilities, and pantries.

### *What is generally provided by the landlord prior to occupation of the space?*

The landlord provides suspended ceilings, recessed lighting, ducts for air-conditioning, a sprinkler system, heat and smoke detectors and painted walls.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

The tenant must pay the first quarter's rent and service charge, any costs of fitting-out the space, a telephone deposit, a security deposit, and car parking charges.

### *Is key money charged or a security deposit required at the start of the lease?*

A refundable security deposit equivalent to three months' rent is required.

### *How are tenant improvements specified, paid for and supervised?*

The tenant is responsible for the specification, design, implementation and financing of improvements. Any improvements must be approved by the landlord before work may begin.

### *What additional costs should the tenant budget for during the term of the lease?*

The tenant should budget for the costs of air-conditioning and lighting after regular working hours for building that air conditioning cost and electricity are included in the service charge. If the air conditioning and lighting is not included in the service charge, the tenant should budget the cost for A/C and electricity during and after working hours.

### *What costs are the tenants responsible for at the end of the lease?*

The tenant must bear the costs of reinstating the office to its condition upon occupation.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

Yes, furnished office space may be leased in executive office suites on a monthly basis.

### *Is leasing the only option for foreigners wishing to establish an office in your country?*

No, a strata title purchase is possible through an Indonesian legal entity. Strata title purchase is the ownership of the space for a period usually up to 30 years possible extension for another 20 years plus 30 years.

*Are there restrictions on foreign ownership of commercial buildings in your country?*

There are no particular restrictions on foreign companies that wish to purchase property. These companies must set up an Indonesian company in order to be able to buy properties in Indonesia, and has to follow the same law as Indonesian company.

## THE LEASE

### *How long are leases generally?*

Leases offered typically range between ten and 25 years' duration. However, depending on the state of the market, it may be possible to agree to a shorter lease or negotiate a tenant break clause. The frequency of such occurrences depends on available space and demand for the particular building, as well as the terms agreed.

### *What form of agreement would the tenant be asked to sign?*

As Ireland's investment market has become more institutionalised, leases have moved toward a common standard. Once signed and sealed, the rights and obligations created under the lease are legally binding upon both parties. All leases differ slightly, however, since different solicitors draw them up. In Ireland, all leases must be legally registered. Where the space to be let is under construction or still to be built, it is usual for both parties to enter into an "Agreement for Lease" establishing the proposed date of practical completion, with the lease and a detailed specification attached.

### *Is the lease legally binding?*

A lease is a legally binding document and, as such, the tenant undertakes its obligations for the full term entered into.

### *Are options to renew or extend the lease possible?*

In general, legislation confers upon a tenant the right of continued occupation at a market rent and upon modern terms. Leases for up to five years, however, are described as "temporary convenience" and do not grant statutory renewal rights to the tenant.

### *What regulations cover sub-leasing or assigning of leases?*

The lease may confer upon the tenant the right to assign or sub-let, but this is usually made subject to the landlord's consent, which normally cannot be unreasonably withheld. Certain leases may be created with assignment or sub-letting absolutely forbidden, while in other cases the landlord may reserve the right of first refusal to take the space back.

## RENTAL

### *In what monetary units are rents quoted?*

In Ireland, rents are expressed in Euros (€) per square metre (and Euros per square foot) per annum. This has been effective since January 2002.

### *When referring to rent, what does this specifically include?*

Modern commercial leases are normally on a full repairing and insuring (FR&I) basis, giving the landlord an absolute net rent. The tenant is responsible for expenses, such as lift-operating costs, building insurance and maintenance, security, local rates and property taxes. In multi-tenant buildings these expenses are generally recouped by way of service charges.

### *How is rent adjusted during the term of the lease?*

In most cases, rent is reviewed to the current open market value at the end of every five-year period. However, modern rent review clauses generally state that the basis of

review shall be upwards only. There are other methods of calculating rent, for instance with reference to turnover or the retail price index, but use of these methods is rare.

### *How is rent paid – monthly, annually?*

Rent is generally paid quarterly in advance, usually without formal demand. Interest will often be charged if rent is not paid within fourteen days of the due date.

### *What incentives are offered by the landlord?*

Incentives that might be offered include a rent-free period, additional time for fit-out, a fit-out allowance, time to find a tenant for excess space pending expansion, or a fixed cash sum. However, the availability of incentives varies by location according to the strength of the market.

## FACILITIES

### *How is floor space measured?*

Commercial office accommodation in the Central Business District is normally measured on a net internal basis. This is the net usable area, excluding external walls, entrance halls, pillars, stairs, corridors, smoke lobbies and toilets. Office space in suburban business parks is currently measured on a gross internal basis; i.e. the entire premises, excluding the external wall thickness. Office space is measured in accordance with the Chartered Surveyors Measuring Practice Guidelines.

### *What is generally provided by the landlord prior to occupation of the space?*

Office accommodations are usually carpeted by the landlord and offered with suspended ceilings, lighting and wiring, and mechanical and electrical servicing. High quality space also includes raised access flooring. It is important, particularly when taking new space, to obtain a comprehensive specification of what the landlord will provide.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

Incoming tenants are usually responsible for their own representation and legal costs, which are determined according to a sliding scale, set by the Law Society. All professional fees attract value-added tax (VAT), currently levied at 21%. Stamp Duty is also payable and details should be obtained from the lessee's solicitors. VAT also arises on the creation of a new long lease, based on the capitalised value of the rent. However, as most tenant companies are registered for VAT, this outlay is usually recovered within about two months.

In the case of real estate advice, when an agent acts on behalf of the landlord the agent receives payment of the commission from the landlord; the incoming tenant is not responsible for paying the agent. When an agent acts on behalf of a prospective tenant in the search and negotiation of accommodation, the agent's fees are payable by the tenant and are based on a pre-agreed percentage of the rent passing.

*Is key money charged or a security deposit required at the start of the lease?*

It is uncommon for a landlord to seek a premium or key money for new space. When a prospective tenant wishes to take over an existing lease through assignment or sub-lease, a premium reflecting the value of the lease is sometimes paid (this is not common in the current market). A premium might also include a sum for the fit-out, although this element will vary with the quality and usefulness to the incoming tenant. Advice from accountants should be sought with respect to writing down premiums for tax purposes. Creating a short leasehold sale & leaseback can finance entire premiums, or at least part of them. However, in the current market conditions a reverse premium may be obtainable in certain cases.

*How are tenant improvements specified, paid for and supervised?*

Tenant improvements are handled in different ways dependent upon whether a tenant is taking a new lease or wishes to upgrade or alter the accommodation during the term of an existing lease.

For a new lease, current market conditions mean that landlords may offer attractive inducements such as capital contributions and fit-out costs. Incoming tenants generally undertake their own alterations and fit-out with landlord approval. However, in situations where the landlord has included tenant works in the building contract the costs of the works may be added to the rent and recovered over the period up to the first rent review, i.e. the fifth year.

For tenant improvements undertaken during the lease term, the extent to which the tenant will be allowed to alter the premises depends upon the alteration covenant contained within the lease. Non-structural alterations are generally allowed subject to the landlord's consent, which cannot be unreasonably withheld. Structural alterations are generally prohibited, although consent can sometimes be obtained.

It must also be noted that a landlord may require a tenant to restore the premises to its original condition at the end of the term. However, this may not be the case where these works are non-specialised and therefore will enhance the rental value. The landlord's consent may take the form of a license or licence letter, the former for major works and the latter for minor works. This consent may be personalised to the tenant and unable to be transferred.

The tenant will always have to provide detailed specifications and drawings of the proposed works, which must be approved by the landlord's surveyors. In most cases, when a tenant carries out improvements or alterations during the term of the lease, he will be expected to fund them. Whether such improvements will be discounted upon review depends on negotiations and the terms of the lease.

Alternatively, the landlord may fund the works, amortise the cost and add it to rent payments over a fixed period of time. The landlord's surveyor will supervise the carrying out of these works and ensure that they comply with the specifications and drawings.

If the tenant is required to pay for fit-out, there are several ways in which this can be financed locally to conserve

working capital. Tenants may seek to raise a bank loan secured on the asset and possibly with further collateral. This gives the benefit of depreciation allowances for tax purposes, which are generally retained by the party that continues to own the asset.

The more sophisticated technique of leasing the fit-out, available through banks, merchant banks and finance companies, is designed to suit the tenant's requirements. The leasing costs reflect the depreciation allowances the leasing company enjoys as the owner of the asset, but recent corporate tax reforms have made this method less favourable to the leasing company and therefore more costly.

*What additional costs should the tenant budget for during the term of the lease?*

Under the terms of the lease, the tenant may be obligated to redecorate the premises according to a timetable.

If the tenant wishes to assign or sub-let, agents fees are generally chargeable at 10% of the rent passing and 5% of any premium achieved, although these averages vary depending on local conditions and practices. A 21.5% VAT should also be allowed for.

*What costs is the tenant responsible for at the end of the lease?*

Typically, leases are on a full repairing and insuring (FR & I) basis provided that the tenant pays the rent, keeps the premises in good condition and leaves them so at the expiry of the lease term. This aspect of a lease tends to be complex; it is recommended that advice be obtained regarding the extent of tenant obligation.

**OPTIONS***Can furnished office space be leased on a short-term basis?*

Serviced office accommodation is available. Typically these business services are offered on a month-to-month basis and offer furnished office space with telephone, internet/e-mail/broadband access and full secretarial back up. The standards of such accommodation vary considerably.

*Is leasing the only option for foreigners wishing to establish an office in your country?*

No, buying property is also an option.

*Are there restrictions on foreign ownership of commercial buildings in your country?*

Some restrictions do apply, however individual cases vary greatly depending on a number of factors.

## THE LEASE

### *How long are leases generally?*

Leases are generally for five years, with an additional five years option. However, a lease of ten years or longer is common if the property is built-to-suit for the tenant. Legally leases can be up to 25 years.

### *What form of agreement would the tenant be asked to sign?*

A tenant generally would be asked to sign an individual contract based on the landlord's proposal. Standard commercial leases are net leases, whereby the tenant is responsible for all occupancy costs.

### *Is the lease legally binding?*

The lease is legally binding according to Israel Contract Law and Israel Real Estate Law.

### *Are options to renew or extend the lease possible?*

If the option to renew is not granted in the original contract, a new contract must be negotiated. Legally, a commercial tenant does not have the right to extend the lease if not agreed upon in the contract. Usually the right to renew is only the tenant's right.

### *What regulations cover sub-leasing or assigning of leases?*

If sub-leasing is allowed, it will be stated in the contract. If it is not stated in the contract, then the landlord must give his approval.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are quoted in NIS per square metre per month.

### *When referring to rent, what does this specifically include?*

Rent means absolute net rent per square metre. It does not include services or the costs of operating the building. Additional charges for taxes, water, heating, elevator operation, repairs, cleaning, exterior window washing, garbage removal, insurance and electricity in the common areas are paid in the form of a service charge every month in advance. Tenants must also pay a separate fee for car parking.

### *How is rent adjusted during the term of the lease?*

There is no general rule as to how rent is adjusted. However, the most common practice is to increase rent according to the inflation index. Staged rents, which increase at a fixed rate according to a fixed schedule, are also common. Rent usually increases upon exercising the tenant's option to extend the lease.

### *How is rent paid – monthly, annually?*

Rent is paid quarterly in advance plus VAT, along with service charge.

### *What incentives are offered by the landlord?*

Under current market conditions, landlords will provide a tenant improvement budget of 1,200 NIS to 1,500 NIS per sqm. Currently, depending on the condition and location of the building, rent-free terms can also be negotiated.

## FACILITIES

### *How is floor space measured?*

Rentable space is gross external and measured by including half of any shared walls, and otherwise all outer walls. In addition the relative share of public areas both on the floor and in the building are added to the net space and comprise the gross external area. Usually it refers to gross external area.

### *What is generally provided by the landlord prior to occupation of the space?*

The landlord provides shell and core completed including HVAC and electrical connections to the unit. The landlord provides a tenant improvement budget of 1,200 NIS per sqm.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

The tenant's costs at the time of occupation are primarily preparing the space for occupation above the initial tenant improvement budget, installing telephones and computer cables.

### *Is key money charged or a security deposit required at the start of the lease?*

At the start of the lease, six-months' gross rent is required as a security deposit. Bank guarantees will also be accepted.

### *How are tenant improvements specified, paid for and supervised?*

The conditions for tenant improvements are included in the original contracts, sometimes by amendments. The landlord must approve any tenant improvements. Fire inspectors and other local authorities might also be involved, if the type of improvement to be made warrants their interest. Usually the landlord will finance some of the tenant improvements costs, then recover the investment through higher rent.

### *What additional costs should the tenant budget for during the term of the lease?*

The tenant should budget for the escalation of standard maintenance costs for the term of the lease, as well as electricity and telephone charges of the space. Service charges, which are paid each month in advance, will not increase during any given year of the lease. At the end of each year, the landlord will calculate the actual costs of the services compared to the charges the tenant paid and refund money as needed.

### *What costs is the tenant responsible for at the end of the lease?*

The tenant is responsible for restoring the premises to a good state of repair, as close as possible to that state in which the tenant first occupied it.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

Regus style offices exist in Israel.

*Is leasing the only option for foreigners wishing to establish an office in your country?*

Foreign companies may buy or lease space. The company must receive special permission for leasing if it is on government land.

*Are there restrictions on foreign ownership of commercial buildings in your country?*

In order to purchase government land one must receive special permission. No restrictions on purchase of private land.

## THE LEASE

### *How long are leases generally?*

Article 27 of Law 392/78 states that commercial leases last for a minimum period of six years and, at the expiration of this period, the lease is automatically renewed under the same terms and conditions for an additional six years, unless the tenant decides not to avail himself of such a right. There are only a few exceptions to the rules regarding the duration of the lease. The landlord may refuse to renew the lease only under the specific circumstances indicated in article 29 of Law 392/78, which include the intention to use the premises personally or for a member of the family, or to renovate the premises. Conversely, the tenant may terminate the lease before the expiration date when such a termination is prompted by a “grave motivo” (serious reason), which must be objectively judged to be serious and outside the control of the tenant. The seventh paragraph of article 27 also allows the parties to agree that the tenant is entitled to terminate the lease at any time prior to the expiration of the term by giving at least six months’ prior written notice. At the expiration of the second six-year term, the landlord is free not to renew the lease.

### *What form of agreement would the tenant be asked to sign?*

Under the current legislation applicable to commercial leases (Law 392/78), the landlord and the tenant sign a written standard ‘model’ contract that meets the legal requirements regarding length of the lease term, rent review, non-renewal and premature termination.

### *Is the lease legally binding?*

The lease is a contract subject to the laws that regulate the relationship between landlord and tenant. The contract has to be registered publicly in the “Ufficio del Registro”.

### *Are options to renew or extend the lease possible?*

As described above, commercial leases last for a minimum period of six years, and at the expiration of this period, the lease is automatically renewed under the same terms and conditions for an additional period of six years, unless the landlord refuses to renew under the specific circumstances indicated in article 29. At the second six-year expiration the landlord is entitled to:

- Ask to sign a completely new contract with different conditions;
- Refuse to renew the expired lease agreement, refuse to sign a new contract and ask the tenant to leave the premises.

Before the second six-year expiration, the parties can agree to renew or extend the existing lease contract.

### *What regulations cover sub-leasing or assigning of leases?*

The lease contract must address the question of sub-leasing the premises or assigning the lease. It is up to the landlord to grant the tenant this option.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are quoted in Euro (€) per square metre per year.

### *When referring to rent, what does this specifically include?*

Rent refers only to the cost of using the premises. It does not include any operating expenses or service charges and VAT. Property taxes are due from the landlord.

### *How is rent adjusted during the term of the lease?*

The tenant and the landlord of commercial properties are free to negotiate the initial rent. Once the rent is agreed upon, it may be raised annually by a percentage of the increase in the cost of living, as determined by the Italian Governmental Statistics Office (ISTAT).

### *How is rent paid – monthly, annually?*

Rent is generally paid quarterly in advance. Operating expenses are also usually paid quarterly in advance with the rent.

### *What incentives are offered by the landlord?*

Depending on market conditions, a rent-free period may be offered at the start of the lease. Currently, the rent-free period commonly granted is three months, but it may be longer if the tenant incurs substantial fit-out costs. Landlords do not generally provide for fit-out or moving expenses.

## FACILITIES

### *How is floor space measured?*

Though no standard measurement system is in place, market rents usually refer to leasable (office) area. When renting whole buildings, rents are adjusted to account for other areas. Usually, space other than office area is weighted depending on function: 30%-50% for storage, 50%-100% for parking (according to location) and 0% for common areas (stairways etc).

### *What is generally provided by the landlord prior to occupation of the space?*

The premises must be up to regulatory standards in terms of electric and heating systems, etc. The quality of the premises, i.e. presence of suspended ceilings, raised floors, air-conditioning, etc, is dependent on the rental rate paid by the tenant. Internal improvements are negotiated by the parties, according to the specific circumstances.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

Tenant has to pay VAT (20%) and an additional 2% as tax “Imposta di Registro” calculated on the net annual rate. In addition, the tenant usually pays half of the agent’s fees, which average 10%-15% of the first year’s rent, as well as the tenant’s own legal or consultancy fees for drafting the lease contract. It is common for tenants to use the services of a financial/fiscal consultant (“commercialista”) or a lawyer who specializes in real estate.

### *Is key money charged or a security deposit required at the start of the lease?*

A security deposit equivalent to three-months’ rent is required at the start of the lease.

*How are tenant improvements specified, paid for and supervised?*

Any tenant improvements must be authorised by the landlord. Generally, both parties agree to share the costs. However, it is common practice for tenant to bear the entire cost of minor improvements.

*What additional costs should the tenant budget for during the term of the lease?*

The tenant is usually responsible for all normal maintenance and repairs of the leased premises, including building systems such as heat, water, electricity and air-conditioning.

*What costs is the tenant responsible for at the end of the lease?*

The tenant is responsible for returning the premises to their original condition. Therefore, the tenant may be responsible for removing any installations or improvements as required by the landlord.

## OPTIONS

*Can furnished office space be leased on a short-term basis?*

In major cities, office accommodations, including secretarial service, reception and meeting rooms, are available on a month-to-month basis.

*Is leasing the only option for foreigners wishing to establish an office in your country?*

Business centres may offer alternative accommodations with fully furnished space and service, giving companies the opportunity to establish their corporate identity. Lease contracts for this type of space are completely different from commercial leases.

*Are there restrictions on foreign ownership of commercial buildings in your country?*

No restrictions are stated in the law. All the legal documents and related procedures are in Italian language.

## THE LEASE

### *How long are leases generally?*

Traditional Japanese Leases are generally for two-year terms, however, they are automatically renewable for additional two-year terms in perpetuity. Under the House Lease Law, it is very difficult for a landlord to evict a tenant, even upon lease expiry.

Effective March 2000, it is also possible to secure a Fixed Term Lease. Under this form of lease, a tenant may be evicted at the end of a lease term and other rights stipulated under the House Lease Law may not be applicable. Longer-term leases are also possible under this structure.

### *What form of agreement would the tenant be asked to sign?*

There is no standard lease agreement in Japan. Tenant's rights are strongly protected by law. The lease document has limited contractual significance if it contradicts the House Lease Law. Leases are usually short, often less than 15 pages in length. It should be noted that it is often difficult to negotiate extensive amendments to a lease, although the generally tenant friendly legal environment makes this less of a concern. Tenants' rights vary significantly between Traditional and Fixed Term leases so consultation with a qualified real estate advisor and Japanese legal council is essential.

Car parking spaces generally require a separate lease agreement.

In nearly all cases, the original lease document will be drafted in Japanese. Some landlords with a considerable number of properties may have English translations available for review. The Japanese language document will be the legal version and the English translation will be for reference purposes only.

### *Is the lease legally binding?*

The lease agreement is subject to Japanese law and specifically the House Leasing Law that governs landlord-tenant relations. The lease is legally binding in so far as it does not conflict with Japanese law.

### *Are options to renew or extend the lease possible?*

An option to renew a lease is usually granted automatically under a Traditional Lease, as this is an implicit tenant right under the House Leasing Law. Any rental increase should be "reasonable" and revisions are not usually to open market levels. Under a Fixed Term lease, an option to extend or renew must be negotiated at the time of lease signing and no protection on the level of rental increase is implicit in the law.

### *What regulations cover subleasing or assigning of leases?*

Under a Traditional Lease, landlords have been reluctant to allow sub-letting or assignment of leases to companies not related to the main tenant, due to strong tenancy laws restricting evictions. Through Co-occupancy Agreements, a derivative of sub-letting is more commonly achievable. The common right of mid-term lease termination for Traditional Japanese Leases somewhat mitigate tenants' requirements for third party sub-letting or assignment. Fixed Term leases allow for easier structuring of sub-letting arrangements.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are quoted in Yen. In general, Japan uses the metric system for measurement and leases. However, floor space is commonly quoted in terms of Yen per "tsubo" per month. One "tsubo" is approximately 3.3 square meters or 35.6 square feet.

### *When referring to rent, what does this specifically include?*

Rent constitutes the charge for occupation and use of the premises. The tenant may be required to pay an additional service charge to cover air-conditioning and common area maintenance expenses. Cleaning and utility charges for the leased premises are the tenant's responsibility. Car parking, if available, is usually charged separately. The landlord is responsible for property taxes.

### *How is rent adjusted during the term of the lease?*

Under a Traditional Lease, the rent is usually fixed for the initial two-year term of the lease. Upon renewal for a second term (and subsequent renewals thereafter), the rent agreed to for the initial term is subject to a revision, although any increase must be "reasonable" by law. It should be noted that any rental increase is generally below open market rental levels. In weak markets, tenants can minimize increases or achieve reductions. Under the House Leasing Law, there is a provision allowing rent to be adjusted during a lease term if there are unexpected increases in costs or taxes. However, in practice it has been very difficult for a landlord to implement this provision. Tenants have used this provision to secure rent reductions during a lease term. Under a Fixed Term Lease, renewals may be subject to market and/or mid-term revision.

### *How is rent paid – monthly, annually?*

Rent is usually paid monthly in advance. If unpaid, penalty interest may be claimed or the lease terminated.

### *What incentives are offered by the landlord?*

Historically, low vacancy rates allowed landlords to refuse to offer incentives. Under weak market conditions, a rent-free period, rent reduction, smaller deposit, landlord funded building upgrades or fit-out subsidies may be negotiated in specific cases.

## FACILITIES

### *How is floor space measured?*

This may vary considerably, depending upon the property. However, floor space is usually measured on a net internal basis in newer, larger buildings. A net internal measurement includes the area under exclusive use of the tenant, calculated from the center of the exterior wall to the center of the interior wall, excluding elevator halls, corridors, and toilets, but including any pillars within the leased area.

### *What is generally provided by the landlord prior to occupation of the space?*

In modern buildings, the landlord usually provides finished demising walls, suspended ceilings, lighting, fully ducted air-conditioning, washrooms, kitchenette and carpets. Raised flooring is commonly provided in buildings completed after 1990.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

The tenant bears their own legal fees and taxes in connection with preparation of the lease. Agent's fees, which amount to one month's rent, are also generally paid by the tenant.

### *Is key money charged or a security deposit required at the start of the lease?*

In Japan, tenant deposits, which are paid to and held by the landlord, are considerably higher than in many countries. Currently, a deposit equivalent to approximately ten to twelve months' rent is typically required for new premises. If any rent adjustments is made over the term of the lease, the deposit would generally be adjusted proportionally.

The deposit is refundable without interest at lease expiry, although the landlord may elect to deduct some portion of the money for outstanding tenant liabilities, possibly including restoration.

### *How are tenant improvements specified, paid for and supervised?*

The landlord will often have a designated sub-contractor, whose services must be used for some or all of the construction work. For work where this is not the case, the tenant must coordinate improvements with the building management.

Tenant improvements are arranged and paid for by the tenant, although the landlord usually has final approval over any improvement work to be done. It is unusual to lease fittings, but third party leasing plans are available.

### *What additional costs should the tenant budget for during the term of the lease?*

Although it is likely to remain constant for the two-year lease period, tenants should budget for an annual increase in the service charge.

### *What costs are the tenants responsible for at the end of the lease?*

The tenant is required to bear the cost of restoring the premises to its original delivery condition. The landlord generally performs this restoration work.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

Landlords do not provide furnished premises, but there are a number full service business centers in Tokyo, Osaka and other major cities, which rent space on a monthly or annual basis. These types of facilities are less common in smaller Japanese cities.

### *Is leasing the only option for foreigners wishing to establish an office in your country?*

No, foreigners may also purchase property in Japan.

### *Are there restrictions on foreign ownership of commercial buildings in your country?*

There are no restrictions on foreign ownership of commercial buildings but certain reporting requirements may be applicable.

## THE LEASE

### *How long are leases generally?*

Leases are generally for five years with an additional five-year option. However, a lease of ten years or longer is possible, particularly if the space to be leased is improved or built-to-suit for the tenant. Lease terms may be for longer than ten years, but this is unusual. A lease can be concluded for an indefinite duration. In this case, a lease does not expire unless one of the parties gives notice to the other, generally with a notice period of six to twelve months.

### *What form of agreement would the tenant be asked to sign?*

The tenant is required to sign a legally binding agreement, which is enforceable by Latvian laws. The agreement is normally terminated by mutual agreement of both parties, or if one of the parties violates terms of the agreement, though it is still possible (but not common) that either party can provide six months' notice and leave the premises with no penalty.

### *Is the lease legally binding?*

The lease is legally binding according to the Latvian lease law/code of obligation.

### *Are options to renew or extend the lease possible?*

The parties are free to negotiate any options. If the option to renew is not granted in the original contract, a new contract must be negotiated. Legally, a commercial tenant does not have the right to extend the lease if the lease is concluded for a fixed period.

### *What regulations cover sub-leasing or assigning of leases?*

Generally sub-leasing and assigning of the lease is allowed subject to the approval of the landlord. The landlord is not allowed to refuse approval without good reason. If a contract is to be transferred to a new tenant, the original tenant could be liable for lease payments for the years left until the end of the lease contract.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are mainly quoted in Euro (€) per square metre per month and very rarely in Latvian Lats (LVL).

### *When referring to rent, what does this specifically include?*

Rent means absolute net rent per square metre. It does not include services or the costs of operating the building. Additional charges for water, waste water, elevator operation, running costs of general technical equipment, air conditioning, cleaning, garbage removal, insurance, electricity in the common areas and heating are paid in the form of a service charge in advance. The landlord normally has the responsibility to keep the building in good shape and is responsible for repairs and maintenance of the "shell & core" of the building as well as for fire insurance, property management fee and marketing of the building. In addition to the net rent, VAT at 18% must be paid if the landlord has put his property under the VAT laws. The tenant generally may ask for a refund of VAT from the tax authorities.

### *How is rent adjusted during the term of the lease?*

The most common practice before was to increase rents

according to the increase in the consumer index (only one increase per year is allowed). In this case a contract must have a minimum duration of between three and five years. Staged rents, which increase at a fixed rate according to a fixed schedule, are also common (minimum duration of such contract: three years).

### *How is rent paid – monthly, annually?*

Rent is paid monthly in advance, along with service charges.

### *What incentives are offered by the landlord?*

Landlords are willing to invest in or finance a tenant fit-out.

## FACILITIES

### *How is floor space measured?*

There is a generally accepted standard defined by the Latvian Association of Architects and Engineers. Floor space consists of what is behind the tenant's door on each floor. Walls and pillars are generally included in this measurement. Distances will be taken from inside facade to inside facade. Common areas (staircases, shafts, elevators) are not included.

### *What is generally provided by the landlord prior to occupation of the space?*

There is no general rule. If a building is newly rented, the landlord delivers a basic fit-out only. If a building is re-let frequently, the space is fitted out as a whole. There have been cases recently in which a tenant does the fit-out (if a building is newly constructed) in exchange for a rent-free period (e.g. three months).

## COSTS

### *What costs does the tenant incur at the time of occupation?*

The tenant's costs at the time of occupation are primarily those of preparing the space for occupation: for example, installing telephones and computer cables. The tenant also remains responsible for keeping the fit-out in a good condition.

### *Is key money charged or a security deposit required at the start of the lease?*

No key money is charged. At the start of the lease, one to three months' gross rent is required as a security deposit. Bank guarantees will also be accepted.

### *How are tenant improvements specified, paid for and supervised?*

The conditions for tenant improvements are included in the original contract, sometimes by amendments. The landlord must approve any tenant improvements. Fire inspectors and other local authorities are also involved. Often the landlord will finance some of the tenant improvement costs, and then recover the investment through higher rent.

### *What additional costs should the tenant budget for during the term of the lease?*

The tenant should budget for the escalation of standard maintenance costs of the fit-out, as well as cleaning, electricity and telephone charges for the space. Service charges are paid monthly in advance as an account. At the end of a 12-month period (at the end of June or December),

the landlord will calculate the actual costs of the services compared to the charges the tenant paid and refund money as needed.

*What costs is the tenant responsible for at the end of the lease?*

The tenant is responsible for restoring the premises to a good state of repair, as close as possible to the state in which the tenant first occupied it. If partitions or other additions were made, they must be removed, unless otherwise agreed.

## OPTIONS

*Can furnished office space be leased on a short-term basis?*

Business centres that provide fully furnished offices are available for short periods. These centres also provide secretarial assistance, telephone and fax service, etc. Leasing furnished offices for a short period is a very uncommon service for Latvia.

*Is leasing the only option for foreigners wishing to establish an office in your country?*

Foreign companies may buy or lease space.

*Are there restrictions on foreign ownership of commercial buildings in your country?*

There are no restrictions on foreign ownership of commercial properties.

## THE LEASE

### *How long are leases generally?*

Leases are generally for five years with an additional five-year option. Shorter periods of three years are possible if agreed by both parties. Leases of ten years or longer are possible too, particularly if the space to be leased is in a very attractive location and the contracted lease terms meet expectations of both the tenant and the landlord. Lease terms may be for longer than ten years, but this is unusual.

### *What form of agreement would the tenant be asked to sign?*

The tenant is required to sign a legally binding agreement, which is enforceable by Lithuanian laws. The agreement is normally terminated by mutual agreement of both parties, or if one of the parties violates terms of the agreement, though it is still possible that either party can provide three to six months' notice and leave the premises with no penalty.

### *Is the lease legally binding?*

The lease is legally binding according to the Lithuanian lease law/code of obligation.

### *Are options to renew or extend the lease possible?*

Usually the tenant has the priority to renew or extend the lease. The parties are free to negotiate any options. If the option to renew is not granted in the original contract, a new contract must be negotiated.

### *What regulations cover sub-leasing or assigning of leases?*

Generally the right of sub-leasing and assigning of the lease is provided in the agreement. Otherwise the right should be confirmed on an exceptional case and approved by the landlord. If a contract is to be transferred to a new tenant, the original tenant could be liable for lease payments for the years left until the end of the lease contract.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are quoted in Lithuanian Litas (LTL) per square metre per month or in Euro (€).

### *When referring to rent, what does this specifically include?*

Rent means absolute net rent per square metre per month. It does not include services or the costs of operating the building. Additional charges for water, waste water, elevator operation, running costs of general technical equipment, air conditioning, cleaning, garbage removal, insurance, electricity in the common areas and heating are paid in the form of a service charge according to the factual costs and contracted fees. The landlord normally has the responsibility to keep the building in good shape and is responsible for repairs and maintenance of the "shell & core" of the building as well as for fire insurance, property management fee and marketing of the building. In addition to the net rent, VAT at 19% must be paid if the landlord has put his property under the VAT laws. The tenant generally may ask for a refund of VAT from the tax authorities.

### *How is rent adjusted during the term of the lease?*

The most common practice is to increase rents according

to the increase in the Lithuanian consumer price index (usually only one increase per year is contracted).

### *How is rent paid – monthly, annually?*

Rent usually is paid in Litas (exchange rate is tied to the Euro). Rent is paid monthly in advance.

### *What incentives are offered by the landlord?*

Landlords are willing to invest in or finance a tenant fit-out.

## FACILITIES

### *How is floor space measured?*

The floor space measurement service is performed in accordance with the Republic of Lithuania Law of Real Estate Cadastre, Cadastral Regulations and Real Estate Cadastre and Cadastral Measurements of the data collection and adjustment rules. Floor space consists of what is behind the tenant's door on each floor. Walls and pillars are generally included in this measurement. Distances will be taken from inside facade to inside facade. Common areas (staircases, shafts, elevators) are not included.

### *What is generally provided by the landlord prior to occupation of the space?*

If a building is newly rented, the landlord delivers a basic fit-out only. If a building is re-let frequently, the space is fitted out as necessary.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

The tenant's costs at the time of occupation are primarily those of preparing the space for occupation: for example, installing telephones and computer cables. The tenant also remains responsible for keeping the space in good condition.

### *Is key money charged or a security deposit required at the start of the lease?*

No key money is charged. At the start of the lease, one to three months' gross rent is required as a security deposit. Bank guarantees will also be accepted.

### *How are tenant improvements specified, paid for and supervised?*

The conditions for tenant improvements are included in the original contract, sometimes by amendments. The landlord must approve any tenant improvements. Often the landlord will finance some of the tenant improvement costs, and then recover the investment through higher rent.

### *What additional costs should the tenant budget for during the term of the lease?*

The tenant should budget for the escalation of standard maintenance costs of the fit-out, as well as cleaning, electricity, telephone and internet charges for the space. Service charges are paid monthly according to the factual costs and contracted fees.

### *What costs is the tenant responsible for at the end of the lease?*

The tenant is responsible for restoring the premises to a good state of repair, as close as possible to the state in

which the tenant first occupied it. If partitions or other additions were made, they must be removed, unless otherwise agreed.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

Business centres that provide fully furnished offices are available for short periods. These centres also provide secretarial assistance, telephone and fax service, etc.

### *Is leasing the only option for foreigners wishing to establish an office in your country?*

Foreign companies may buy or lease space.

### *Are there restrictions on foreign ownership of commercial buildings in your country?*

There are no restrictions on foreign ownership of commercial properties.

## THE LEASE

### *How long are leases generally?*

Typically leases today range from three to five years in duration. Some ten-year leases are being written in Class A+ buildings. Fifteen-year lease terms are very rare and only come about as a result of a sale-leaseback situation.

### *What form of agreement would the tenant be asked to sign?*

A tenant would be asked to sign a private leasing contract, which is legally binding to both parties. 90% of the time the standard form is the landlord's standard lease form. In Mexico City, only the lease is negotiated and not the customary offer stage that is used in the US and Canada. The lease is based on the French legal system and is a much shorter version than the traditional lease that is used in the US and Canada. The French system is based on civil code numbers and not case law as in the British law system. The simplified document makes reference to the articles of the civil code and as a result the negotiations are limited between the lawyers.

### *Is the lease legally binding?*

A lease is a legally binding document in Mexico and as such the tenant undertakes all obligations for the full term entered into. When a lease contract is fully executed the landlord must register the contract with the government authorities.

### *Are options to renew or extend the lease possible?*

A lease is a legally binding document and as such the tenant undertakes its obligation for the full term entered into. When a lease contract is completed, the landlord by law must register the lease with the government authorities.

### *What regulations cover subleasing or assigning of leases?*

The lease may confer upon the tenant the right to assign or sublease. However, this is usually subject to the landlord's consent, which normally cannot be unreasonably withheld. Certain instances with absolute prohibition against assignment or sub-letting may be created.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are quoted both in Mexican Pesos and US dollars per square meter per month. Typically Class A+ buildings are quoted in US dollars.

### *When referring to rent, what does this specifically include and what additional charges is the tenant responsible for?*

To the landlord:

- Base rent to the landlord.
- Maintenance Expenses (common area expenses outside the tenants lease premises, security, air-conditioning during normal operating hours).
- Realty Taxes (called Predial – collected by the landlord and included in base rent).
- Value Added Tax (called I.V.A. – presently 15% of the total rent collected by the landlord in addition to the base rent).

- Parking Expenses (paid on a monthly basis in addition to the base rent).

Additional charges the tenant pays:

- Electricity Expenses (separately metered per tenant, pay based on usage).
- Water Expenses (separately metered per tenant, pay based on usage).
- Telephone Expenses (billed directly from the telephone company).
- Janitorial Services (for the interior of the tenants premises, tenant makes own arrangements).
- After Hours Air-conditioning service to the tenants premises (available only in Class A+ buildings).

### *How is rent adjusted during the term of the lease?*

Rental rates are adjusted during the term of the lease using the national inflation index, every six months or annually, which is more common, and of course once the term of the contract has expired. The national inflation index will match the unit of rent that the tenant is paying. Should be mentioned that the dollar based rent is a way to index the rents according to the exchange rate trend.

### *How is rent paid – monthly, annually?*

Rent is paid on a monthly basis, usually in advance, at the landlord's address or the landlord may collect the rent as a courtesy service.

### *What incentives are offered by the landlord?*

In the past, incentives were not generally offered, however, in today's market after the 1994 crisis, there has been some change in attitudes allowing more flexibility in negotiations. Landlords are still not accustomed to granting many leasing incentives. Prior to the crisis a tenant was able to negotiate one to two months' free rent and that was all.

The rental rate is the one item that has shown the most flexibility, as there are really not too many other incentives. Some free rent can be negotiated, as well. Landlords typically do not provide tenant improvement allowances. The space is delivered in shell condition with the services provided at one entry point and it is up to the tenant to distribute the services. Today, some landlords will provide the ceiling system as part of the rent. Another item that is negotiated is to include a certain number of parking spaces in the rent.

## FACILITIES

### *How is floor space measured?*

Commercial office space is normally measured considering the net usable area. Entrance halls, stairs, corridors, maintenance rooms and washrooms are excluded when they are common areas for any other tenants.

However, recently in Class A+ buildings, landlords have been quoting in Rentable Area terms, which includes a percentage of the common areas. This topic of the lease is usually negotiable. In addition, there is no formal standard for measuring the leased premises as in the United States and Canada, which use the BOMA standard of measurement.

*What is generally provided by the landlord prior to occupation of the space?*

In general, office space is offered in “as is” condition at the time of closing. This generally means that the premises is in the condition left in by the previous tenant. Landlords of new buildings will offer the space in raw shell form, i.e. concrete floors and ceiling with the service supplied to the premises but not distributed throughout.

**COSTS***What costs does the tenant incur at the time of occupation?*

The tenant can expect to incur the following costs prior to taking occupancy of the premises:

- One to two months’ gross rent as a security deposit, held until the termination of the lease.
- One month’s gross rent for the first month’s rent due.
- Deposit for the electricity and telephone.
- Fianza Expense (bonding) for companies without property in Mexico as collateral.

*Is key money charged or a security deposit required at the start of the lease?*

As mentioned before, the tenant should pay one to two months’ gross rent as a security deposit, held until the termination of the lease.

*How are tenant improvements specified, paid for and supervised?*

It is common practice for the landlord to approve any important alterations to the premises, which have to be paid for by the tenant. As in almost any other condition, tenant improvements are also subject to negotiation.

*How can tenant improvements be financed today?*

Generally, these are arranged and paid for by the tenant. In some occasions, the tenant pays for the improvements and the amount paid is taken into account for the next rent, especially when the improvements are necessary as a result of bad building conditions or when they are beneficial to the landlord.

*What additional costs should the tenant budget for during the term of the lease?*

There are no additional costs that the tenant has to budget for during the period of the lease.

*What costs are the tenants responsible for at the end of the lease?*

The tenant is responsible for repairing any damage that may have occurred during the term of the lease. If improvements are made in the leased premises without the approval of the landlord, the landlord may ask the tenant to remove the improvements at the tenants cost. At the termination of the lease, the improvements become the property of the landlord.

**OPTIONS***Can furnished office space be leased on a short-term basis?*

Yes, it is common to find small-furnished office space in a shared office suites concept.

*Is leasing the only option for foreigners wishing to establish an office in your country?*

No, purchasing space as an investor or a user is very common in Mexico. The current ratio is 80% lease to 20% purchase. Space can be purchased as a condominium. Various sizes and qualities are available in the market.

*Are there restrictions on foreign ownership of commercial buildings in your country?*

Yes, there are restrictions of foreign ownership in Mexico along the border and coastal areas. In these areas, foreigners must purchase the property through a trust.

## THE LEASE

### *How long are leases generally?*

The standard lease is generally signed for two or three years and in many cases for one year. In most cases, the tenant has the right to cancel the initial term prior to the expiration with one to three months' written notice.

### *What form of agreement would the tenant be asked to sign?*

Agreements are not standardized in the market. Usually the real estate agency or the tenant offers their standard agreement. Rental agreements have to be registered at the municipality. Furthermore, agreements can be also notarised. In Montenegro, the regional courts do the notarisation.

### *Is the lease legally binding?*

All leases are legally binding when both parties meet the legal requirements; however, some restrictions apply in case of a sale, as well as when the agreement is not notarised. Special restrictions might apply in case the landlord is a state company in liquidation or privatisation. Another uncertainty arises from the fact that restitution legislation is in the pipeline.

### *Are options to renew or extend the lease possible?*

Options to renew and extend are possible, but this usually implies renegotiation. Owing to market uncertainty in the past and the current upward movement of prices, most landlords prefer to fix the rental amounts for shorter periods since they expect further increases in prices. On the other hand, tenants expect a decrease in prices and are uncertain of their own medium-term needs. Therefore, shorter leases with the possibility to cancel are most common.

### *What regulations cover sub-leasing or assigning of leases?*

Unless otherwise stated in the lease, tenants can sublease the premises without prior written approval of the landlord. However, most landlords choose to include a clause requiring their written approval.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are usually quoted in Euros (€) per month per square metre for new office buildings and as a price per month for all other properties.

### *When referring to rent, what does this specifically include?*

Rent is quoted on a net basis per square metre or per property per month and thus represents the base amount that a tenant pays for rentable space. The net price does not include the following costs:

- Service charges (if applicable) – costs vary according to the services rendered.
- Parking spaces – charged monthly per space used.
- Rent for pro-rata share of common space in a multi-tenant building.
- If the property is rented from a legal or private entity, VAT is paid together with the rent, and its percentage is 17%.

- Local taxes – the tenant's portion is usually charged directly to the tenant by the municipality.
- Sewerage tax – charged directly by the municipality.

Additionally, the tenant is responsible for operating costs and maintaining the premises in good condition.

### *How is rent adjusted during the term of the lease?*

Most agreements are signed for relatively short periods with rent pegged to the Euro and without rent adjustments during the terms of the lease. In some rare cases the CPI is used.

### *How is rent paid – monthly, annually?*

Rent is usually paid monthly or quarterly in advance.

### *What incentives are offered by the landlord?*

Owing to the lack of supply and increasing demand, landlords do not offer any incentives and are quite inflexible.

## FACILITIES

### *How is floor space measured?*

Floor space is measured as the usable area, without the building's structural and mechanical core elements. A proportion of the common spaces, such as entrance halls and hallways are sometimes included according to the ratio of space leased to total space in the building.

### *What is generally provided by the landlord prior to occupation of the space?*

The fittings provided by the landlord are negotiable and vary case by case, and the level of finishing influences the final rental price. As a rule, the majority of tenants expect fully fitted space, usually excluding structural cabling and tenant specific requirements.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

The tenant must pay a deposit that is usually equivalent to one month's rent or more, depending on the property. In some cases a bank guarantee or a guarantee from the parent company may also be accepted. Most landlords expect a larger advanced payment in the beginning (i.e. three months) followed by monthly payments. The real estate agent is paid by his client, tenant and/or owner.

### *Is key money charged or a security deposit required at the start of the lease?*

The tenant must pay a deposit equivalent to one month's rent or more, depending on the property. The former tenant may charge key money when the agreement is taken over by a new tenant in the case of state or municipally owned properties. However, such agreements are not recommended since their legal status is questionable.

### *How are tenant improvements specified, paid for and supervised?*

Tenant improvements and owner contributions to them should be negotiated before the rental agreement is signed.

*What additional costs should the tenant budget for during the term of the lease?*

The tenant should budget for necessary repairs and maintenance of the rented space, local property taxes and insurance. Improvements that will not be paid for by the landlord should also be included in a supplementary budget.

*What costs are the tenants responsible for at the end of the lease?*

In the majority of cases, the tenant is responsible only for making good any damage. In a very few cases, the tenant is responsible for all the costs of restoring the premises to its "original" state at the beginning of the lease.

## OPTIONS

*Can furnished office space be leased on a short-term basis?*

There are no specialised companies offering totally furnished office space on a short-term basis. Tenants in need of such space make arrangements with some of the hotels or rent short-term a furnished property offered for long term. In that case, the rental price is much higher than for a lease with a normal term.

*Is leasing the only option for foreigners wishing to establish an office in your country?*

The purchase of property may also be an option.

*Are there restrictions on foreign ownership of commercial buildings in your country?*

There are no restrictions on foreign ownership of commercial property.

## THE LEASE

### *How long are leases generally?*

The standard lease is generally signed for five years, with one or two option periods of five years each. Before the expiry of each lease period, the lessee is entitled to break the rental agreement, usually by means of a written notice, which must be delivered by registered mail one year prior to the end of the running lease term. Depending on the vacancy rate around the office building, all terms and conditions of the rental agreement are negotiable. In some cases, the minimum lease term may be three years with one or two option periods of three years each.

### *What form of agreement would the tenant be asked to sign?*

Standard agreements, such as those from the Dutch Association of Real Estate Brokers and R.O.Z., an organization that provides statistics for the real estate industry, are usually used as a basis for the agreement the tenant will sign. Rental agreements are not registered.

### *Is the lease legally binding?*

All leases are legally binding when both parties meet the legal requirements. According to Dutch law, a sale does not break a rental agreement. All purchasers are bound by the existing rental agreements.

### *Are options to renew or extend the lease possible?*

If the tenant does not give written notice, then both parties agree to terms of an option period and an automatic extension of the lease is granted. Renewal usually means new negotiations, depending on several factors, such as the relationship between lessee and lessor, market conditions, etc.

### *What regulations cover sub-leasing or assigning of leases?*

Standard leases do not allow the tenant to sub-lease or to assign the premises without prior written approval of the landlord. The tenant is liable for all charges resulting from a sublease or assignment. If the tenant does not receive prior written approval from the landlord, all rent and charges are due.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are usually quoted Euros (€) per square metre per annum.

### *When referring to rent, what does this specifically include?*

Rent is quoted on a net basis per square metre per year and thus represents the base amount that a tenant pays for rentable space. The net price does not include the following costs:

- Service charges – costs vary according to the services rendered
- Parking spaces – charged annually per space used
- Rent for pro-rata share of common space in a multi-tenant building
- Value added tax (VAT) – paid annually, currently at 19%, if agreed upon by both parties. The tenant's company

must have at least 90% of its activities domiciled in the Netherlands in order to be able to claim back the VAT paid from the rent

- Local property taxes – the tenant's portion is usually charged directly to the tenant by the municipality
- Sewerage tax – charged directly by the municipality

Additionally, the tenant is responsible for operating costs, insurance (i.e. fire and theft) and maintaining the premises in good condition.

### *How is rent adjusted during the term of the lease?*

Rent is usually adjusted annually at the anniversary date of the commencement of the lease. The percentage adjustment is generally based on the consumer price index (CPI), series all households (2006=100), as published monthly by the Central Bureau of Statistics (CBS). The rent increase is usually calculated as follows:

$$(L \times I) / A$$

Where L = base rent, I = index for the month or year preceding the revision date, and A = index of the month or year preceding the execution of the lease.

### *How is rent paid – monthly, annually?*

Rent is usually paid quarterly or monthly in advance. Penalties may be incurred if payment is late.

### *What incentives are offered by the landlord?*

Depending on market conditions, length of lease and strength of the possible tenant, incentives such as a rent-free period, cash incentives or contributions to the tenant's fit-out work from the landlord are negotiable.

## FACILITIES

### *How is floor space measured?*

Floor space is measured as the usable area, without the building's structural and mechanical core elements. A proportion of the common spaces, such as entrance halls, hallways and toilets are usually included according to the ratio of space leased to total space in the building.

### *What is generally provided by the landlord prior to occupation of the space?*

The fittings provided by the landlord are negotiable and may vary. Generally, the landlord simply provides clean space with suspended ceilings and lighting, but without carpeting and partitioning. However, newly built office space might include under-floor electric system linkage and even so-called "turn-key" space. Previously used office space usually contains extras left by the former tenant.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

The tenant must pay a deposit equivalent to three months' rent or more, depending on their financial status. Alternatively, a bank guarantee or a guarantee from the parent company may also be accepted. The real estate agent is paid by his client, whether tenant or owner, based on the "one party representation system," which guarantees the independence of the agent.

## *Is key money charged or a security deposit required at the start of the lease?*

The former tenant may only charge key money when the agreement is taken over by a new tenant. Key money is charged to cover the cost of any improvements that are useful for the new tenant and are being left by the former tenant. Alternatively, the departing tenant may remove the fittings and restore the premises to their original condition, if a satisfactory agreement cannot be reached. As mentioned above, a deposit equivalent to three months' rent or a bank guarantee is required. This amount does not increase during the term of the rental agreement.

## *How are tenant improvements specified, paid for and supervised?*

Tenant improvements and owner contributions to them may be negotiated before the rental agreement is signed. However, after commencement of the rental agreement, tenant improvements usually require the prior written approval of the landlord. Supervision is conducted by the landlord. The costs of tenant improvements are paid by the tenant and usually automatically and without indemnity become part, "connected by nail and nature" of the property of the landlord unless otherwise agreed. The tenant must finance specific improvements, but general improvements, such as partitioning, telephone, etc. may be financed by the landlord, who will then recover the investment by amortizing the costs over an agreed period of time.

## *What additional costs should the tenant budget for during the term of the lease?*

The tenant should budget for necessary repairs and maintenance of the rented space, local property taxes and insurance. Improvements that will not be paid for by the landlord should also be included in a supplementary budget. The tenant should also budget for escalations in rent as described in the Rental section.

## *What costs are the tenants responsible for at the end of the lease?*

At the end of the lease, the tenant is responsible for all the costs of restoring the premises to a good state of repair, as close as possible to its original state at the beginning of the lease.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

Specialized companies offer totally furnished office space with or without reception or administrative services on a short-term basis, monthly, weekly or daily. However, rental prices are much higher than a lease with a normal term.

### *Is leasing the only option for foreigners wishing to establish an office in your country?*

The purchase or development of property may also be an option.

### *Are there restrictions on foreign ownership of commercial buildings in your country?*

There are no restrictions on foreign ownership of commercial property.

## THE LEASE

### *How long are leases generally?*

Lease terms are generally six to twelve years.

### *What form of agreement would the tenant be asked to sign?*

The majority of leases are still BOMA (Building Owners and Managers Association) or ADLS (Auckland District Law Society) net leases, which are executed by the tenant and landlord in a Deed of Lease format. Car parking is included in the initial agreement and is typically agreed to for the full period of the lease.

Prior to signing a Deed of Lease, most agreements are transacted first by letter to negotiate the basic terms and then summarized by a Heads of Agreement to Lease, which includes the key terms and conditions.

### *Is the lease legally binding?*

The lease is a legally binding document.

### *Are options to renew or extend the lease possible?*

Yes, rights of renewal are determined as part of the initial terms and conditions.

### *What regulations cover subleasing or assigning of leases?*

Most landlords allow tenants the right to assign to another tenant of good standing or to sublease in whole or in part. However, the tenant remains responsible for the terms and conditions of the lease following assignment or subletting.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are quoted in New Zealand Dollars per square metre per year.

### *When referring to rent, what does this specifically include?*

Rent is usually expressed as net, exclusive of all outgoing. These additional costs include such services as airconditioning, lift maintenance, operating costs, building insurance, maintenance, security and rates. Sometimes rents are quoted as gross, in which case all outgoing, or operating expenses, are included.

### *How is rent adjusted during the term of the lease?*

Rent reviews, which are typically conducted every two or three years, often include a "ratchet" clause that states that the reviewed rent cannot be lower than the rental set for the previous term, or lower than the rent set at lease commencement. With the "ratchet" clause in mind, the two parties involved, usually with valuation advice, agree on a revised rent approximating market values.

Outgoings are billed on a monthly basis according to an estimated "operating expense" budget and are adjusted annually.

### *How is rent paid – monthly, annually?*

Generally, rent is paid monthly in advance automatically, usually without formal demand. Most leases specify that if the rent is not paid within fourteen days of the due date, the tenant is technically in breach of the lease, but the tenant will be given an opportunity to remedy that breach. Interest may be incurred if payments are late.

### *What incentives are offered by the landlord?*

Typically between zero to two months' rent-free for each year of lease commitment, depending upon tenant covenant and the state of the market.

## FACILITIES

### *How is floor space measured?*

Space is measured on a net internal basis, including toilets (unless shared with other tenants) and excluding internal columns.

### *What is generally provided by the landlord prior to occupation of the space?*

Most buildings are carpeted by the landlord and provided together with suspended ceilings, light fittings, painted or papered walls and duct skirting with power points.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

Tenants must pay their legal fees for drafting of the lease. However, the landlord is responsible for paying the real estate agent's fees, which in New Zealand range from a minimum of 12% to a maximum of 20% of the first year's rent.

### *Is key money charged or a security deposit required at the start of the lease?*

Typically, a deposit equivalent to two or three months' rental, paid in advance, is required to secure the premises. However, there is no key money charged at the commencement of office leases. If the premises are already fitted-out, the fit-out often passes to the tenant as part of the inducement package.

### *How are tenant improvements specified, paid for and supervised?*

Most tenants appoint an interior design company to take control of space planning, costing, project management and construction of the tenancy fit-out. Landlords may finance the cost of the fit-out, then amortize the cost of the investment over the term of the lease.

### *What additional costs should the tenant budget for during the term of the lease?*

Tenants are usually required to pay for non-structural maintenance, including redecoration, internal cleaning of the tenancy, electricity, phone and after hour air-conditioning.

### *What costs are the tenants responsible for at the end of the lease?*

The tenant may bear the costs of leaving the premises in good repair and not only remove partitions or other improvements, but also repair any damage caused by such removal.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

For the organization needing to set up a business or branch immediately, the serviced office concept is common in New Zealand. Typically these offices are in a prestigious building

with a common reception area and provide full business services.

*Is leasing the only option for foreigners wishing to establish an office in your country?*

Foreign companies or individuals may also purchase a building or single floor.

*Are there restrictions on foreign ownership of commercial buildings in your country?*

Purchasers under certain circumstances are required to obtain the consent of the Overseas Investment Commission.

## THE LEASE

### *How long are leases generally?*

A standard lease is about five years. Leases in new developments tend to be longer, between five and 15 years.

### *What form of agreement would the tenant be asked to sign?*

There is a standard lease contract that is in use by most landlords and agents. Larger landlords have their own standard based on the general standard. The legislation is based on tenant protection and is constructed to be used on apartments and housing.

### *Is the lease legally binding?*

The lease is legally binding on both parties.

### *Are options to renew or extend the lease possible?*

The lease agreement usually gives a right to extend for a new period prior to expiry.

### *What regulations cover sub-leasing or assigning of leases?*

The tenant can usually sub-let with the prior written consent of the landlord. Special regulations cover the landlord's VAT position.

## RENTAL

### *In what monetary units are rents quoted?*

Rent is quoted in Norwegian kroner per square meters.

### *When referring to rent, what does this specifically include?*

Rent usually includes only rent for the space occupied, with any other charges or costs additional.

### *How is rent adjusted during the term of the lease?*

The rent is adjusted annually in line with the CPI, usually taking effect from 1 January each year.

### *How is rent paid – monthly, annually?*

Rent is usually paid quarterly in advance

### *What incentives are offered by the landlord?*

Landlords will usually fit out the premises to the tenant's requirements and factor this cost into the rent. Rent-free periods, discounted/stepped rents and other incentives such as meeting part of the rental costs for the tenant's old premises are becoming more popular in the current market.

## FACILITIES

### *How is floor space measured?*

The tenant pays rent on the gross area, from middle wall to middle wall including a share of common areas.

### *What is generally provided by the landlord prior to occupation of the space?*

An office is usually fitted out ready to move in, excluding data network/phone.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

Security is usually required in the form of a bank guarantee,

but there can also be a deposit of three to six months' rent.

### *Is key money charged or a security deposit required at the start of the lease?*

Key money is common only in retail leases. Security deposit or bank guarantee must be in place before the start of the lease period.

### *How are tenant improvements specified, paid for and supervised?*

Landlords prefer to do the fit-out themselves and factor this cost into the rent. If the tenant does the fit-out, it is documented in the lease and checked by the landlord's architect or property manager depending on the extent of the work undertaken.

### *What additional costs should the tenant budget for during the term of the lease?*

Additional costs will be charged by the landlord, in amounts that vary from building to building. Most landlords are able to specify the exact amount. The tenants may also have their own additional costs, such as electricity cleaning and standard maintenance of the internal separate lease area.

### *What costs are the tenants responsible for at the end of the lease?*

The tenant must typically make good the premises to the condition it was in at the beginning of the tenancy, with allowance for fair wear and tear. Making good includes cleaning the premises.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

Short-term renting is available through office hotels or business centres, but this is not common in typical commercial properties.

### *Is leasing the only option for foreigners wishing to establish an office in your country?*

Foreign companies may buy, although most begin with a lease until they establish themselves.

### *Are there restrictions on foreign ownership of commercial buildings in your country?*

Both Norwegian and foreign investors need permission from the government to lease premises for more than ten years or to buy certain buildings. Such permission will usually be granted.

## THE LEASE

### *How long are leases generally?*

Leases are typically five years. Large established tenants tend to have longer terms of five to ten years and new tenants will often take shorter terms.

### *What form of agreement would the tenant be asked to sign?*

The tenant and the landlord would initially sign a Memorandum of Understanding (MoU) highlighting basic terms and conditions followed by a formal lease.

### *Is the lease legally binding?*

Yes, the lease is legally binding under Pakistani law. Leases have to be signed in front of certified witnesses.

### *Are options to renew or extend the lease possible?*

Yes. The conditions and terms for options to renew would be outlined in the original lease document

### *What regulations cover subleasing or assigning of leases?*

All leases have a clause under which the process of subletting or assignment is described. However, subleasing and assigning are typically subject to the landlord's approval. The landlord can establish limitations on sub-leasing.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are quoted in Pakistani Rupees (PKR) Per Square Foot (psf) per month.

### *When referring to rent, what does this specifically include?*

Rent is calculated according to the Net Rentable/Useable Area and not the Gross Area. Rent does not include service charges, maintenance charges and tax. Tax is payable by the tenant on an escalating scale 5-10%.

### *How is rent adjusted during the term of the lease?*

Rent is adjusted based on clauses within the lease document. Rent is usually fixed for a one year period with a rental review of typically 5%-10% at the end every year.

### *How is rent paid – monthly, annually?*

Rent is paid quarterly or bi-yearly in advance.

### *What incentives are offered by the landlord?*

Landlords can offer rent-free periods, fit-out packages, or free/additional car parking as incentives.

## FACILITIES

### *How is floor space measured?*

**Carpet Area:** This is the total internal area of the space measured from the internal walls. Carpet area would broadly equate to a standard BOMA net lettable area calculation.

**Built-up Area:** This is the total area of the premises measured from the external perimeter wall surfaces and incorporates an allocation of common areas on the same floor, excluding lift core and fire stairs. Built-up area is usually 20-25% larger than carpet area.

### *What is generally provided by the landlord prior to occupation of the space?*

In newer buildings, prior to occupation of the space,

landlords generally provide a basic shell with plastered walls and ceilings. The tenant is required to undertake all interior works. Some of the newer buildings have central air-conditioning and in such buildings, the tenant is required to install air-conditioning ducts as per their requirement of interior and office layout

## COSTS

### *What costs does the tenant incur at the time of occupation?*

The tenant will incur costs relating to legal fees, payment of first quarters rent, and a security deposit (typically three to six months' rent).

### *Is key money charged or a security deposit required at the start of the lease?*

Key money is not part of the market.

A refundable security deposit equivalent to three to six months' rent is required.

### *How are tenant improvements specified, paid for and supervised?*

The tenant is responsible for the specification, design, implementation and financing of improvements. Any improvements must be approved by the landlord before work may begin.

### *What additional costs should the tenant budget for during the term of the lease?*

The tenant should budget for the costs of air-conditioning, electricity, telecommunications, and increases in maintenance and service charges.

Unless provided by the building the tenant should make provision for

- the purchase and installation of a back up generator
- air conditioning units

### *What costs are the tenants responsible for at the end of the lease?*

The tenant must bear the costs of reinstating the office to its condition upon occupation.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

Yes, furnished office space may be leased in executive office suites on a monthly basis. Serviced offices providers are currently only available in Karachi.

### *Is leasing the only option for foreigners wishing to establish an office in your country?*

For purchasing of office space, foreign companies have to be registered with the Securities & Exchange Commission of Pakistan (SECP) and have to obtain a National Tax Number (NTN).

### *Are there restrictions on foreign ownership of commercial buildings in your country?*

Apart from registering with the Securities & Exchange Commission of Pakistan (SECP) and obtaining a National Tax Number (NTN), there are no particular restrictions on foreign ownership of commercial buildings.

## THE LEASE

### *How long are leases generally?*

Typically, leases today average three years. Some ten-year leases are now being written in Class A buildings but are very rare and only come about as a result of a sale lease-back situation or a built to suit. Over the next couple of years, the five-year lease will become the average length of the term.

### *What form of agreement would the tenant be asked to sign?*

A tenant would be asked to sign a private leasing contract, which is legally binding to both parties. The standard form 90% of the time is the landlord's standard lease form. In Peru, only the lease is negotiated and not the customary offer stage that is used in the US and Canada. The lease is based on the French legal system and is a much shorter version than the traditional lease that is used in the US and Canada. The French system is based on civil code numbers and not case law as in the British law system. The simplified document makes reference to the articles of the civil code and as a result the negotiations are limited between the lawyers.

### *Is the lease legally binding?*

A lease is a legally binding document and as such the tenant undertakes its obligation for the full term entered into.

### *What regulations cover subleasing or assigning of leases?*

It is legal to extend the lease. However, it has to be negotiated by both parties.

### *What regulations cover sub-leasing or assigning of leases?*

When a lease contract is completed, the landlord can register the lease with the government authorities. The lease may confer upon the tenant the right to assign or sublease. However, this is usually subject to the landlord's consent, which normally cannot be unreasonably withheld. Certain instances with absolute prohibition against assignment or subleasing may be created.

### *What documents are needed to complete a lease transaction?*

- An executed lease between the landlord and the tenant.
- A copy of the tenants incorporation in Peru
- A copy of the authorization indicating whom the representative is signing the documents for.
- FIADOR – someone or some entity, which in Peru can act as a guarantor. In addition, the FIADOR must show proof of financial stability.
- FIANZA – bonding issued by a bonding company. The fee for this bondage ranges from 2% to 5% of the annual gross rent. In the event that the landlord does not receive rent within the first five days of the month, the landlord can collect it from the FIANZA. A FIANZA can sometimes be avoided if the tenant provides a substantial deposit up front or if the financial statements are satisfactory to the landlord.

## RENTAL

### *What monetary units are rents quoted?*

Rents are quoted basically in US dollars per square meter per month. Typically, Class A buildings quote in US dollars. There are 10.76 square feet in one square meter. The current exchange rate is approximately 3.50 soles for each US dollar (August 2003). Office space can also be purchased in Lima.

### *When referring to rent, what does this specifically include?*

To the landlord:

- Base rent to the landlord.
- Value Added Tax (called IGV – presently 18% of the total rent collected by the landlord in addition to the base rent). It is a credit for the company.
- Parking Expenses (paid on a monthly basis in addition to the base rent).

Additional charges the tenant pays:

- Electricity Expenses (separately metered per tenant, pay based on usage).
- Water Expenses (separately metered per tenant, pay based on usage).
- Telephone Expenses (billed directly from the telephone company).
- Janitorial Services (for the interior of the tenants premises, tenant makes own arrangements).
- After Hours Air-conditioning service to the tenants premises (available only in Class A+ buildings).
- Maintenance Expenses (common area expenses outside the tenants lease premises, security, air-conditioning during normal operating hours).

### *How is rent adjusted during the term of the lease?*

Rental rates are adjusted during the term of the lease using the US inflation index, on an annual basis commonly. An adjustment of 5% or Libor + 1% annually is also a common annual increase.

### *How is rent paid – monthly, annually?*

The rent is paid on a monthly basis, usually in advance at the landlord's address or the landlord may collect the rent as a courtesy collection service.

### *What incentives are offered by the landlord?*

Currently incentives are not generally offered, however, offering of incentives will increase due to market conditions. The most common incentive to negotiate will be free rent, which ranges from one to three months.

## FACILITIES

### *How is floor space measured?*

Commercial office accommodations are normally measured considering the net usable area. Entrance halls, stairs, corridors, maintenance rooms and washrooms are excluded when they are for any other tenants. In addition, there is no formal standard for measuring the leased premises as

in the US and Canada, which use the BOMA standard of measurement.

*What is generally provided by the landlord prior to occupation of the space?*

In general, office space is offered in a “as is” condition at the time of the closing. This generally means that premises are in the condition it was left by the previous tenant. Landlords of new buildings will offer the space in a raw shell form. Concrete floor and ceiling with the services supplied to the premises but not distributed throughout.

## COSTS

*What costs does the tenant incur at the time of occupation?*

The tenant can expect to incur the following costs prior to taking occupancy of the premises”

- One to two months' gross rent as a security deposit, held until the termination of the lease.
- One to two months' gross rent for the first month's rent due.
- Fianza Expense (bonding) for companies without local presence.

*Is key money charged or a security deposit required at the start of the lease?*

No, it is not common practice to ask for key money in leasing office space. Sometimes landlords could ask for key money if substantial leasehold improvements are in place.

*How are tenant improvements specified, paid for and supervised?*

It is common practice for the landlord to approve any important alterations to the premises, which have to be paid by the tenant. As in almost any other condition, tenant improvements are also subject to negotiation.

*What additional costs should the tenant budget for during the period of the lease?*

There are no extra costs that the tenant has to budget for during the period of the lease.

*What costs are the tenants responsible for at the end of the lease?*

The tenant is responsible for repairing any damage to the premises that may have happened during the term of the lease. If improvements are made in the leased premises without the approval of the landlord, the landlord may ask the tenant to remove the improvements at the tenants cost. At the termination of the lease, the improvements become the property of the landlord.

*How can tenant improvements be financed today?*

Generally, these are arranged and paid for by the tenant. In some occasions, the tenant pays for the improvements and the amount paid is taken into account for the next rent, especially when the improvements are necessary as a result of bad building conditions or when they are beneficial to the landlord.

## OPTIONS

*Can furnished office space be leased on a short-term basis?*

It is not common to find small furnished office space in a shared office suite concept, unless we look at Regus style accommodations.

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## THE LEASE

*How long are leases generally?*

Lease terms are generally in the range of three to five years for a new lease and one year for lease renewals.

*What form of agreement would the tenant be asked to sign?*

Negotiations would normally end with the signing of the Contract to Lease prepared by the lessor's solicitor. Car parking, tenant improvements, rent review and the condition of the premises are discussed in the lease agreement. The lease contract is notarized and retained by the landlord and the tenant.

*Is the lease legally binding?*

Yes, the lease is legally binding. Documents, including the Contract to Lease, are prepared and notarized by the lessor's solicitor.

*Are options to renew or extend the lease possible?*

Yes, it is possible to renew or extend the lease.

*What regulations cover subleasing or assigning of leases?*

It is possible to sublease. The tenant remains liable for all terms of the lease if the space is sublet.

## RENTAL

*In what monetary units are rents quoted?*

Rents are quoted in Pesos per square meter per month.

*When referring to rent, what does this specifically include?*

Normally, rent payments just cover occupation of the premises. The cost of building management, cleaning, and air-conditioning fees, etc. are billed in addition to rent.

*How is rent adjusted during the term of the lease?*

Rent escalations are common in a lease term of five years ranging from 2% to 10%. For longer tenures, a rent review clause to open market levels can be applied.

*How is rent paid – monthly, annually?*

Rent is paid monthly or quarterly in advance. Generally, a 5% penalty is due if payment is made ten days after the agreed date.

*What incentives are offered by the landlord?*

In some instances, the landlord will provide ceilings and raised flooring upon handover in addition to rent-free periods.

## FACILITIES

*How is floor space measured?*

Generally, floor space is measured on a rentable basis (including partial common areas). However, in some cases landlords lease out on a gross basis.

*What is generally provided by the landlord prior to occupation of the space?*

Usually a false ceiling, painted walls and vinyl flooring are provided.

## COSTS

*What costs does the tenant incur at the time of occupation?*

Tenants are usually charged a deposit equivalent to three months' rent, association dues or management fees and three months' rent, which is applied at the end of the lease.

*Is key money charged or a security deposit required at the start of the lease?*

A deposit equivalent to three months' rent is required and will be returned to the tenant at expiry of the lease without interest.

*How are tenant improvements specified, paid for and supervised?*

Any design plans for ceiling installation, partitioning, electrical and telephone wiring, as well as other improvements, are normally submitted to the condominium association first for approval. Contractors need city or municipal hall approval for construction to move ahead. Before handover, similar approval is required. Improvements are supervised and paid for by the tenant.

*What additional costs should the tenant budget for during the term of the lease?*

The tenant is encouraged to budget for escalation of rent, service charges, air conditioning charges, and taxes, which currently include a 10% value-added tax for transacted property.

*What costs are the tenants responsible for at the end of the lease?*

Normally, at the end of the lease, the tenant must reinstate the premises to its original condition upon occupation less normal wear and tear. This is done at the tenant's expense.

## OPTIONS

*Can furnished office space be leased on a short-term basis?*

Yes, furnished office space may be leased on a short-term basis. International providers of serviced offices offer fully furnished, staffed and equipped premises within the CBD.

*Is leasing the only option for foreigners wishing to establish an office in your country?*

No, foreigners may purchase up to 40% of a condominium or strata building.

*Are there restrictions on foreign ownership of commercial buildings in your country?*

There are no restrictions or government approval required to purchase property.

## THE LEASE

### *How long are leases generally?*

Lease terms in new developments are initially for three to five years. According to Polish law, occupational leases agreements may last for a maximum of 30 years.

### *What form of agreement would the tenant be asked to sign?*

Tenants would be asked to sign a formal lease agreement. In new commercial buildings, landlords usually use professional law firms who prepare standardized lease agreements, which are later negotiated with tenants.

### *Is the lease legally binding?*

The lease is legally binding.

### *Are options to renew or extend the lease possible?*

Options to renew or extend the lease are possible. If a lease agreement is signed for five years, renewal or renegotiations take place between three and a half and four years into the lease. Currently there is a market tendency to renegotiate a lease agreement two and one-half to three years before its expiration.

### *What regulations cover sub-leasing or assigning of leases?*

Usually, lease agreements require the landlord's approval of sub-lease or assignment.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are usually quoted in Euros (€) per square metre per month.

### *When referring to rent, what does this specifically include?*

Rent in Poland is generally a base rent calculated according to the space occupied. Service charges are quoted separately as an estimated amount for the whole year, but paid monthly. At the end of each year, the service charges are reconsolidated and any excess is returned to the tenant.

### *How is rent adjusted during the term of the lease?*

It has become customary to provide for an annual adjustment in rent paid based on CPI, according to the terms outlined in the original lease agreement. Service charges may also be adjusted following an audit of the previous year's service expenses.

### *How is rent paid – monthly, annually?*

Rent is usually paid each month in advance. If payment is overdue, interest may be charged, but there is also a risk that the lease may be forfeited.

### *What incentives are offered by the landlord?*

Landlords might offer a rent-free period or a contribution to the tenant's fit-out costs.

## FACILITIES

### *How is floor space measured?*

BOMA, TEGOVA or Polish norms; however, landlords often seek to establish rent based on the gross internal area, excluding only lifts and stairwells.

### *What is generally provided by the landlord prior to occupation of the space?*

In new developments, space is provided with carpeted floors and T-bar ceilings, including a total fit out in most cases.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

The tenant is responsible for paying a service charge, which provides for water, heating, air-conditioning, cleaning, security and office management, plus electricity and telephone costs.

### *Is key money charged or a security deposit required at the start of the lease?*

Generally, a security deposit or bank guarantee equivalent to three months' rent is required at the start of the lease.

### *How are tenant improvements specified, paid for and supervised?*

All tenant improvements are detailed in the lease.

### *What additional costs should the tenant budget for during the term of the lease?*

The tenant should budget for an escalation in rent (indexation), and an increase in service charges owing to inflation.

### *What costs are the tenants responsible for at the end of the lease?*

It depends on the lease agreement.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

Furnished office space may be leased from professional companies, usually on a month-to-month basis, with a three-month termination clause.

### *Is leasing the only option for foreigners wishing to establish an office in your country?*

Foreigners may also purchase property.

### *Are there restrictions on foreign ownership of commercial buildings in your country?*

Foreigners must obtain permission from the Ministry of the Interior before acquiring commercial property. Permission is not required for the acquisition of apartments. Since May 1, 2009, EU citizens can also buy land and houses. There are still restrictions regarding agricultural and forest land (until 2017).

## THE LEASE

### *How long are leases generally?*

Generally, leases are established for five years and are renewed for periods of five years if both parties so wish. The tenant can void the contract by notifying the landlord at a pre-agreed time before the end of the term (this notice period must be at least 60 days for leases with terms of one to six years).

### *What form of agreement would the tenant be asked to sign?*

Normal practice is the signing of a promise of contract or immediately signing a lease contract.

### *Is the lease legally binding?*

Leases are legally binding.

### *Are options to renew or extend the lease possible?*

Generally, leases are renewed as described above.

### *What regulations cover sub-leasing or assigning of leases?*

Sub-leasing and assigning of leases is dealt with according to the law or as stated in the contract.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are quoted in Euros (€) per square metre per month.

### *When referring to rent, what does this specifically include?*

Rent includes only payment due to the owner for the possession and use of the occupied areas and a portion of the common areas. It can also be agreed upon that the tenant will cover the joint-tenancy expenses. Sometimes there are service charges for the use of air-conditioning where individual meters are not available, but this is not too common.

### *How is rent adjusted during the term of the lease?*

Rents are adjusted annually according to a rate published by the government. The rate is between 75% and 100% of the inflation rate. It is also possible to specify each successive year's rent in the original lease.

### *How is rent paid – monthly, annually?*

Rent is paid monthly in advance (one month).

### *What incentives are offered by the landlord?*

In current market conditions, incentives are becoming more common; the most popular are direct contributions to fit-out works (which reduce the final cost to the tenant) and a rent-free period (usually two or three months).

## FACILITIES

### *How is floor space measured?*

Normally, floor space is measured by gross external area.

### *What is generally provided by the landlord prior to occupation of the space?*

The landlord only provides for upkeep of the common areas, including the facade, and surveillance of entrances. In a single-tenant building, the landlord is usually responsible only for structural repairs and the tenant for the remainder. According to the New Urban Lease Law, both landlord and

tenant may agree who is responsible for the works. If there is no agreement specified, the landlord will be responsible for maintenance and repairs. Space is normally delivered with floor-duct installation, painted walls, false ceilings, lighting fixtures and pre-installed air-conditioning.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

Upon occupation, the tenant must secure and pay for all power, telephone, gas and water connections. Generally, the tenant is responsible for the premises, while the landlord must secure the structure of the building.

### *Is key money charged or a security deposit required at the start of the lease?*

One months' rent is paid as a security deposit.

### *How are tenant improvements specified, paid for and supervised?*

The lease contract specifies what is and what is not permitted. The majority of improvements require the landlord's written permission. Usually, improvements become the property of the landlord at the termination of the lease, unless otherwise specified. Decoration and removable partitions are not considered improvements and the tenant normally takes them when leaving the premises. Tenant improvements can be financed through normal commercial operations.

### *What additional costs should the tenant budget for during the term of the lease?*

Tenants should budget for annual escalation of the rent and for costs associated with maintenance of the premises.

### *What costs is the tenant responsible for at the end of the lease?*

The tenant must deliver the premises as agreed to in the lease contract. Most often this requires returning the premises to the condition in which they were found at the beginning of the lease.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

Furnished office space and services are available for short-term lease in professional office centres.

### *Is leasing the only option for foreigners wishing to establish an office in your country?*

Foreigners are free to pursue other options, like any resident in Portugal.

### *Are there restrictions on foreign ownership of commercial buildings in your country?*

Until November 1995, foreign acquisition of real estate was subject to a Previous Declaration of Foreign Investments. From November 1995 until September 2003, foreign individuals and companies were required to register property purchases with the Investimento, Comércio e Turismo de Portugal (ICEP). Since September 2003, with the publication of the New Investment Contractual Regime (Law Decree n° 203/2003), it is no longer required to register foreign acquisition of real estate.

## THE LEASE

### *How long are leases generally?*

Leases are generally for one to three years and can be renewed for a similar period at market rents. However, a lease of ten years or longer is possible for some buildings, particularly if the space to be leased is improved or built-to-suit for the tenant.

### *What form of agreement would the tenant be asked to sign?*

The tenant is required to sign a legally binding agreement, which is enforceable by Qatari laws. The agreement is normally terminated by mutual agreement of both parties, or if one of the parties violates terms of the agreement, though it is still possible (but not common) that the tenant pays two to three months' rent as a penalty and leaves the premises.

### *Is the lease legally binding?*

The lease is legally binding according to Qatari Rental Law.

### *Are options to renew or extend the lease possible?*

If the option to renew is not granted in the original contract, a new contract must be negotiated. Legally, a commercial tenant does not have the right to extend the lease if not agreed upon in the contract.

### *What regulations cover sub-leasing or assigning of leases?*

If sub-leasing is allowed, it will be stated in the contract. If it is not stated in the contract, then the landlord must give his approval.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are quoted in Qatari Riyal per square metre per month.

### *When referring to rent, what does this specifically include?*

Rent means absolute net rent per square metre. It does not include services or the costs of operating the building. Additional charges for taxes, water, heating, elevator operation, repairs, cleaning, exterior window washing, garbage removal, insurance and electricity in the common areas are paid in the form of a service charge every month in advance.

### *How is rent adjusted during the term of the lease?*

The most common practice is to adjust the rent annually at a fixed rate according to a fixed schedule.

### *How is rent paid – monthly, annually?*

Rent is paid in Qatari Riyal, quarterly in advance, along with the service charge.

### *What incentives are offered by the landlord?*

Under the current market conditions, a one or two month rent-free period is often offered as an incentive to the tenants.

## FACILITIES

### *How is floor space measured?*

Usually, floor space consists of what is behind the tenant's door on each floor. Lightweight walls are generally included in this measurement, as are toilet facilities, kitchens and storage. However, building common areas are not included in the rent.

### *What is generally provided by the landlord prior to occupation of the space?*

The landlord generally provides space as shell and core. However, the trend is changing and some landlords are also providing raised flooring and suspended ceiling to attract tenants.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

The tenant's costs at the time of occupation are primarily preparing the space for occupation; for example, installing telephones and computer cables, office partitions and carpets. However at some spaces, the tenant is required to do the ceiling as well as raised floorings depending on the negotiated lease terms.

### *Is key money charged or a security deposit required at the start of the lease?*

There is no key money charged; however, at the start of the lease one month's gross rent in the form of an undated cheque is required as a security deposit. The amount up to the value of the damage done to the property, if any, is deducted from this security deposit when the tenant leaves the premises.

### *How are tenant improvements specified, paid for and supervised?*

Generally no tenant improvements are required at the time of signing the lease. However the tenant has to do his own fit-outs if the office is an open space.

### *What additional costs should the tenant budget for during the term of the lease?*

The tenant should budget for necessary repairs, maintenance and service charges, as well as electricity and telephone costs for the space.

### *What costs is the tenant responsible for at the end of the lease?*

The tenant is responsible for restoring the premises to a good state of repair, as close as possible to that state in which the tenant first occupied it. If partitions or other additions were made, they must be removed, unless otherwise agreed.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

Specialised companies offer totally furnished office space with or without reception or administrative services on a short-term basis, with the term varying from one to twelve months. However, rental prices are substantially higher than a lease with a normal term.

### *Is leasing the only option for foreigners wishing to establish an office in your country?*

Foreign companies can only lease space.

### *Are there restrictions on foreign ownership of commercial buildings in your country?*

Other than GCC nationals, foreign ownership of commercial buildings is not allowed in Qatar.

## THE LEASE

### *How long are leases generally?*

Standard lease terms in Bucharest are different for Class A office buildings and other types of accommodation: in Class A properties the lease term is generally five years; for other spaces, lease terms of three years are most common.

Owing to the ever-increasing presence of international developers, the average duration of leases has grown, mainly as a result of lender restrictions. Thus at present, and especially for pre-leases in AAA office buildings, lease terms of five years are mandatory, while seven-year terms are not uncommon.

### *What form of agreement would the tenant be asked to sign?*

The form of agreement is once again dependent on the quality of the landlord and of the office space leased. For AAA office buildings, the lease agreements signed may only have an escape clause after the fifth year. This is imposed by the lending bank, which has a very strong say in the duration of the lease contract as well as the other conditions incorporated in the contract.

### *Is the lease legally binding?*

All leases are legally binding when both parties meet the legal requirements imposed by Romanian law. According to Romanian law, the sale of the premises to a third party does not break a rental agreement. All purchasers are bound by the existing rental agreements.

### *Are options to renew or extend the lease possible?*

Options to renew or extend the lease are always possible in principle, if both parties agree to the conditions of the new term. In some cases, when the landlord has offered first right of refusal on a particular space in the building to another tenant, then the option to extend may not be possible. Renewal of a lease contract usually implies new negotiations, depending on several factors, such as market conditions, length of extension period, surface area of new space, etc.

### *What regulations cover sub-leasing or assigning of leases?*

Standard leases do not, in principle, allow the tenant to sub-lease or to assign the premises without prior written approval of the landlord, which shall not be unreasonably withheld or delayed. In case of sub-leasing to a company belonging to the same group of companies as the tenant, the landlord is not required to give his approval, but should be notified in advance. However, the sub-leasing clause is just another clause that can be negotiated between the two parties.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are usually quoted in Euros (€) per month per square metre, but are payable in the local currency (ROL) at the exchange rate of the National Bank on the day of payment.

### *When referring to rent, what does this specifically include?*

Rent is quoted on a net basis per square metre per month and thus represents the base amount that a tenant pays for

rentable space. The net price does not include the following costs:

- Service charges – costs vary according to the class of the building and the services supplied
- Parking spaces – charged monthly per space used
- Value added tax (VAT) – paid monthly, currently at 19%. This rate does not apply if the landlord is a private individual

In some cases rent for the pro-rata share of common space in a multi-tenant building can be added. Additionally, the tenant is responsible for operating costs, insurance, (i.e. fire and theft) as well as maintaining the premises in good condition.

### *How is rent adjusted during the term of the lease?*

Rent is usually adjusted annually at the anniversary date of the commencement of the lease. The percentage adjustment is generally based on the European Consumer Price Index (Euro CPI).

### *How is rent paid – monthly, annually?*

Rent is usually paid quarterly or monthly in advance, depending upon the negotiated terms. A quarterly payment is generally taken as granted in most Class A lease contracts. Penalties may be incurred if payment is late.

### *What incentives are offered by the landlord?*

Depending on market conditions, lease length and the covenant of the tenant, incentives such as a rent-free period, partitioning or other contributions from the landlord are possible. Owing to current market conditions, landlords are more inclined to offer larger incentives.

## FACILITIES

### *How is floor space measured?*

In Romania, floor space is measured as the usable area, without the building's structural and mechanical core elements. A proportion of the common space, such as entrance halls, hallways and toilets, is usually included according to the ratio of space leased to total space in the building. BOMA is the standard measurement method most commonly used, but there are other standards used as well, for example GIF.

### *What is generally provided by the landlord prior to occupation of the space?*

The fittings provided by the landlord are negotiable and may vary. Generally, the landlord provides an open-space plan with suspended ceilings, carpeting and lighting, but without partitioning. However, newly built office space might also include raised-floor electric system linkage and even turn-key space. Previously used office space usually contains extras left by the former tenant and is re-painted and re-carpeted for the new tenant.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

The tenant must pay a deposit equivalent to three months' rent or more, depending on their financial status. Alternatively, a bank guarantee or a guarantee from the parent company may also be accepted. Depending on the agreement with the consulting agency, the client will also pay a fee between two weeks' and one month's rent to the agency.

### *Is key money charged or a security deposit required at the start of the lease?*

As mentioned above, a deposit equivalent to three months' rent or a bank guarantee is required. This amount does not increase during the term of the rental agreement.

### *How are tenant improvements specified, paid for and supervised?*

Tenant improvements and owner contributions may be negotiated before the rental agreement is signed. However, after commencement of the rental agreement, tenant improvements usually require prior written approval from the landlord. Supervision is required by the landlord in almost all cases, especially for Class A office buildings. The costs of tenant improvements are paid by the tenant and usually automatically and without indemnity become part, "connected by nail and nature" of the property of the landlord, unless otherwise agreed. Specific improvements must be financed by the tenant, but general improvements, such as partitioning, telephone, etc, may be financed by the landlord, who will then recover the investment by amortizing the costs over an agreed period of time.

### *What additional costs should the tenant budget for during the term of the lease?*

The tenant should budget for necessary repairs and maintenance of the rented space, as well as insurance for his space. Improvements that will not be paid for by the landlord should also be included in a supplementary budget. The tenant should also budget for escalations in rent, based on the Euro CPI.

### *What costs are the tenants responsible for at the end of the lease?*

At the end of the lease, the tenant is responsible for all the costs of restoring the premises to a good state of repair, as close as possible to its state at the beginning of the lease, not considering normal wear and tear.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

Specialised companies offer fully furnished office space, with or without reception or administrative services, on a short-term basis, with monthly, weekly or daily options available.

### *Is leasing the only option for foreigners wishing to establish an office in your country?*

The purchase of property is also an option. Currently, foreigners may not own land, but Romanian companies with full foreign ownership may hold ownership titles over land.

### *Are there restrictions on foreign ownership of commercial buildings in your country?*

Foreign companies have to establish a local company that has part Romanian capital in order to acquire ownership of commercial property in the country.

## THE LEASE

### *How long are leases generally?*

Lease terms differ depending on the class of a building. For Class A office facilities leases usually run for three to five years (five-year leases are more common and longer terms (ten years) are becoming more common for larger or unique properties). In Class B office facilities the lease term is about one to three years.

### *What form of agreement would the tenant be asked to sign?*

The tenant signs a standard lease document, which addresses the issues of tenant improvements, car parking, service charges, etc. as is done with leases in most of the West.

### *Is the lease legally binding?*

Properly registered leases between legal entities are binding and most leases provide for arbitration if any problems arise. Leases are registered with special regional organizations that can differ from region to region. In Moscow, leases are registered with the Committee of Registration of Ownership Rights and Real Estate Transactions.

### *Are options to renew or extend the lease possible?*

Tenants may secure options to renew or extend the lease. Generally, the renewal term for Class A office facilities is approximately three to five years (which equals the lease tenure). New negotiations are held when renewal options are exercised.

### *What regulations cover sub-leasing or assigning of leases?*

Frequently, contracts are negotiated giving the tenant the right to sub-let or assign with the landlord's consent.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are quoted in US Dollars per square metre per year. Using the exchange rate posted at the Central Russian Bank, the landlord converts rent paid in US Dollars to Rubles.

### *When referring to rent, what does this specifically include?*

In addition to the base rent paid for occupation of the space, the tenant usually pays a service charge. Payment of these charges provides for security, common utilities, heat, etc.

### *How is rent adjusted during the term of the lease?*

Rental rates are generally not indexed (rent indexing may become a market reality in three to five years). At the end of the year, service charges are adjusted to meet actual expenses.

### *How is rent paid – monthly, annually?*

Rent is usually paid quarterly in advance. If payment is late, penalties will be incurred as outlined in the original lease document.

### *What incentives are offered by the landlord?*

Landlords may offer free rent for the period of tenant fit-out.

## FACILITIES

### *How is floor space measured?*

In most professional buildings the measurements are done according to BOMA standards.

### *What is generally provided by the landlord prior to occupation of the space?*

The landlord usually provides the space to be occupied with a "shell and core finish" or concrete and bare walls. The building generally will have finished common areas. Sometimes the landlord provides space with a standard fit-out or gives an allowance towards fit-out, or provides the tenant with two to three months' rent-free period for fit-out works (depending on the rented area).

## COSTS

### *What costs does the tenant incur at the time of occupation?*

At the lease signing, the tenant must pay an advance of operating expenses and rent, usually equivalent to three months' rent.

### *Is key money charged or a security deposit required at the start of the lease?*

Often a security deposit equivalent to three months' rent is required, in addition to the advance described above. The security deposit is generally retained by the landlord in lieu of payment for the last three months' rent.

### *How are tenant improvements specified, paid for and supervised?*

Tenant improvements are the responsibility of the tenant. In some cases, landlords offer a standard fit-out that is included in base rent, or an allowance towards it.

### *What additional costs should the tenant budget for during the term of the lease?*

The tenant should budget for fibre-optic telephone lines. Such lines are supplied under a separate agreement with a telecommunications provider. The cost of parking spaces is charged separately. The tenant is also responsible for additional power and internal cleaning. If there will be extensive computer use, the tenant may need to budget for an upgrade of the power capacity.

### *What costs are the tenants responsible for at the end of the lease?*

The tenant must bear the costs of returning the space to its original condition upon occupation, save normal wear and tear.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

There are several professional business centres in Moscow that offer furnished space (or equipped work stations), with such additional services as reception, office manager, tea and coffee service, conference room, etc. The minimum lease term can be from one day. Furnished spaces can also be leased in some hotels, but with no additional services and no additional equipment.

*Is leasing the only option for foreigners wishing to establish an office in your country?*

Foreign entities and foreign citizens can purchase a building, but not the land underneath it. Only lease of the land is possible with a lease term usually equal to 49 years.

*Are there restrictions on foreign ownership of commercial buildings in your country?*

There are no restrictions and no government approval is required, but important strategic ownership issues should be considered.

## THE LEASE

### *How long are leases generally?*

Leases are generally for one year with an option to renew after the conclusion of each contract. However, a lease of three years or longer is possible, particularly if the space to be leased is improved or built-to-suit for the tenant. Lease terms may be for longer than five years, but this is unusual.

### *What form of agreement would the tenant be asked to sign?*

The tenant is required to sign a legally binding agreement, which is enforceable by Saudi Arabian Law (Shariah-compliant). The agreement is normally terminated by mutual agreement of both parties, or if one of the parties violates terms of the agreement. If any of the parties wishes to terminate the contract, two months' notice should be provided and the tenant should pay for the remainder of the lease period unless otherwise amicably settled by both parties.

### *Is the lease legally binding?*

The lease is legally binding according to the Saudi Arabian Real Estate Lease Code by the Saudi Chamber of Commerce and Industry.

### *Are options to renew or extend the lease possible?*

The parties are free to negotiate any options. If the option to renew is not granted in the original contract, a new contract must be negotiated. Legally, a commercial tenant does not have the right to extend the lease if the lease is concluded for a fixed period.

### *What regulations cover sub-leasing or assigning of leases?*

Generally, sub-leasing and assigning of the lease is allowed subject to the approval of the landlord. If a contract is to be transferred to a new tenant, the original tenant is liable for lease payments for the years left until the expiry of the lease contract.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are mainly quoted in Saudi Riyals (SAR) per square metre per annum.

### *When referring to rent, what does this specifically include?*

Rent means gross lease per square metre. It includes services or the costs of operating the building. Rent also includes water, waste water, elevator operation, running costs of general technical equipment, air conditioning, cleaning, garbage removal, insurance, electricity in the common areas, water heaters, security services, and dedicated parking space depending on the area leased.

Class A offices have added facilities that can include freight elevators, telecommunications services, communal meeting rooms, and communications room. The landlord normally has the responsibility to keep the building in good shape and is responsible for repairs and maintenance of the "shell & core" of the building as well as for fire insurance, property management fee and marketing of the building. An average of 15% is charged over the base rent as a maintenance fee.

### *How is rent adjusted during the term of the lease?*

Because there is no existing rental cap in the Kingdom, there is no general rule on how rent is adjusted. However, the most common practice is to increase rents either as the inflation index rises or annually at the end of a lease term. A rental review may also occur prior to the conclusion of a lease term for lease terms of longer duration unless otherwise stated in the contract.

### *How is rent paid – monthly, annually?*

Rent is paid in Saudi Riyals bi-annually or annually in advance, along with service charges.

### *What incentives are offered by the landlord?*

Due to high demand and relatively weak supply, landlords are currently in a favourable situation. In general, the tenant shoulders fit-out cost; however, in some cases, landlords may be willing to invest in or finance a tenant fit-out.

## FACILITIES

### *How is floor space measured?*

There is no common rule in Saudi Arabia. Usually, floor space consists of what is behind the tenant's door on each floor. Walls, pillars, storage rooms, toilets, other facilities are included in the measurement. Distances will be taken from inside façade to inside façade. Common areas (staircases, elevators, lobby and others) are not included in the measurement. However, in some cases, a service charge (usually 15%) is added to the base rent for the common area maintenance payable quarterly in advance.

### *What is generally provided by the landlord prior to occupation of the space?*

There is no general rule; however, it is usual for a primary grade office to include full fit-out and fixtures. A majority of offices, on the other hand, provide basic fit-out that includes carpet, lightweight walls, ceilings, lighting, air conditioning system, electric wiring and outlets, toilets, and kitchen at the beginning of the leasing contract. Any further improvements are paid for by the tenant including any damage incurred during the time of occupation.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

The tenant's costs include fit-out and installation of telecommunication cables. Further office space improvements are also the responsibility of the tenant. In cases where the fit-out is provided by the landlord, the tenant also remains responsible for keeping the fit-out in good condition.

### *Is key money charged or a security deposit required at the start of the lease?*

There is no standard rule since all rents are paid either six months or a year in advance. However, other office buildings may require 10% of the base rent as a refundable Security Deposit until the end of the lease term and any renewals of contract.

*How are tenant improvements specified, paid for and supervised?*

The conditions for tenant improvements are included in the original contract. The tenant is allowed to improve occupied space subject to the landlord's approval. In some cases, a tenant must submit improvement plans and designs for the landlord's review. Contractors, engineers and architects commissioned by the tenant must be approved by the landlord and in some cases, a landlord may stipulate the right to assign a contractor to carry out the improvements at the tenant's expense. Any changes in designs should not change the structure of the building or change the positioning of plumbing and fire sprinklers.

*What additional costs should the tenant budget for during the term of the lease?*

The tenant should budget for the escalation of standard maintenance costs of the fit-out, as well as cleaning, electricity and telephone/internet charges for the space. Service charges are paid monthly or quarterly in advance whilst others may include common area maintenance paid quarterly in advance.

*What costs is the tenant responsible for at the end of the lease?*

The tenant is responsible for restoring the premises to a good state of repair, as close as possible to the state in which the tenant first occupied it. In addition, the tenant should not seek compensation for any improvements made to the occupied premises.

**OPTIONS***Can furnished office space be leased on a short-term basis?*

Currently, the shortest lease term of office buildings in Saudi Arabia runs for a year. Since rents can be paid six months in advance, the tenant may pay the full six months even without fully exhausting six months of occupation. Otherwise, the best option is to seek tenants that wish to sub-lease their office space, although leasing an office shorter than one year is not a common practice.

*Is leasing the only option for foreigners wishing to establish an office in your country?*

Foreign companies may buy or lease space subject to the approval of the Saudi Chamber of Commerce and Industry.

*Are there restrictions on foreign ownership of commercial buildings in your country?*

Saudi Arabia's office sector is still dominated by the lease market. Although some office units are for sale and the country has recently adopted the Foreign Ownership Law, stringent rules are applied before a foreigner is granted ownership of an office space.

## THE LEASE

### *How long are leases generally?*

The standard lease is generally signed for three to five years in case of Class A properties; one to three years is more common in the case of Class B properties. In most cases, the tenant has the right to cancel the initial term prior to the expiration with one to three months' written notice.

### *What form of agreement would the tenant be asked to sign?*

Agreements are not standardized in the market. Usually the real estate agency or the tenant offers their standard agreement. Rental agreements have to be registered at the municipality. Furthermore, agreements can be also notarised by regional court.

### *Is the lease legally binding?*

All leases are legally binding when both parties meet the legal requirements. Special terms may apply in case the landlord is a state company in liquidation or privatisation.

### *Are options to renew or extend the lease possible?*

Options to renew and extend are possible, but this usually implies renegotiation. Owing to the current downward movement of rental rates, landlords prefer to fix the rental amounts for periods of three to five years. On the other hand, tenants are uncertain of their own medium-term needs at this moment. Therefore, shorter leases with the possibility to cancel are most common.

### *What regulations cover sub-leasing or assigning of leases?*

Unless otherwise stated in the lease, tenants can sublease the premises without prior written approval of the landlord. However, most landlords choose to include a clause requiring their written approval.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are usually quoted in Euros (€) per month per square metre for new office buildings and as a price per month for all other properties.

### *When referring to rent, what does this specifically include?*

Rent is quoted on a net basis per square metre or per property per month and thus represents the base amount that a tenant pays for rentable space. The net price does not include the following costs:

- Service charges (if applicable) – costs vary according to the services rendered.
- Parking spaces – charged monthly per space used.
- Add on factor on the common space (in majority of Class A buildings add-on factors are in range 9-12%) in a multi-tenant building.
- Value Added Tax (VAT) (18%).
- Municipal charges – charged by the municipality.

Additionally, the tenant is responsible for operating costs and maintaining the premises in good condition.

### *How is rent adjusted during the term of the lease?*

Most agreements are signed for three to five years with rent in national currency RSD, but pegged to the currency Euro and without rent adjustments during the terms of the lease. In some rare cases the CPI is used.

### *How is rent paid – monthly, annually?*

Rent is usually paid monthly and initially quarterly in advance.

### *What incentives are offered by the landlord?*

In light of present market conditions (heightened supply and slightly decreasing demand for office space), landlords are offering more incentives, such as including parking within the rent (more common for Class B projects) or offering initial rent-free periods of three to six months.

## FACILITIES

### *How is floor space measured?*

Floor space is measured as the net usable area, excluding the building's structural and mechanical core elements. Common space areas are charged in addition to base net rent, and most distinguished Class A projects have a standard add-on factor of 9-12%.

### *What is generally provided by the landlord prior to occupation of the space?*

The fittings provided by the landlord are negotiable and vary case by case, and the level of finishing influences the final rental price. In case of shell & core spaces, the tenants customises the space, with the costs of finishing works later being deducted from the base rent for an agreed period of time.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

The tenant must pay a deposit that is usually equivalent to three months' rent. In some cases a bank guarantee or a guarantee from the parent company may also be accepted. Most landlords expect a larger advanced payment in the beginning (i.e. three months) followed by monthly payments. In present market conditions, landlords offer incentives like initial three to six month rent-free periods. The real estate agent is paid by his client, tenant and/or landlord.

### *Is key money charged or a security deposit required at the start of the lease?*

No. According to the agreement, the tenant is obliged to initially pay to the landlord a deposit equivalent to three months' rent, depending on the property. In case of breach of contract/terminating the lease by the tenant, tenant is obliged to then pay the key money to the landlord, most commonly in amount of three to six monthly rents.

### *How are tenant improvements specified, paid for and supervised?*

Tenant improvements and owner contributions to them should be negotiated before the rental agreement is signed.

### *What additional costs should the tenant budget for during the term of the lease?*

The tenant should budget for necessary repairs and

maintenance of the rented space, local property taxes and insurance. Improvements that will not be paid for by the landlord should also be included in a supplementary budget.

*What costs are the tenants responsible for at the end of the lease?*

In the majority of cases, the tenant is responsible only for repairing his own damage.

## OPTIONS

*Can furnished office space be leased on a short-term basis?*

Given the current market conditions, landlords are beginning to present more flexible terms of lease. It is generally common in the Serbian market that the spaces (furnished or not) are leased out for a period of one year. This is the most common lease term in Class B properties.

*Is leasing the only option for foreigners wishing to establish an office in your country?*

The purchase of property may also be an option. Several well established companies in the Serbian market are developing their own facilities for owner occupancy and also lease out a percentage of space within these properties.

*Are there restrictions on foreign ownership of commercial buildings in your country?*

There are no restrictions on foreign ownership of commercial property.

## WORLDWIDE LEASING GUIDELINES

### THE LEASE

#### *How long are leases generally?*

Lease terms are normally three years with an option to renew for another period of three years. Leases of seven years and beyond are registerable.

#### *What form of agreement would the tenant be asked to sign?*

Most buildings have a standard lease document which when duly executed by both the landlord and Tenant constitutes a legal binding document.

#### *Are options to renew or extend the lease possible?*

Tenants are usually given the option to renew the lease for a second similar term with rent reviewed to then prevailing market rent.

#### *What regulations cover subleasing or assigning of leases?*

Majority of leases do not in the first instance allow for sub-leasing or assignment. If subsequently allowed, conditions under which the tenant may sublease or assign would vary on a case to case basis.

### RENTAL

#### *In what monetary units are rents quoted?*

Singapore adopted the metric system however, the real estate industry still generally uses the imperial system and rents are quoted in Singapore dollars per square foot per month.

#### *When referring to rent, what does this specifically include?*

Rent is quoted on a gross basis and generally includes all landlord services such as air conditioning during normal business hours, lift operating costs, building insurance and maintenance, cleaning, security and property tax. It does not include cleaning of internal areas, office electrical power usage, car parking, additional air-conditioning and tenant's public liability insurance.

#### *How is rent adjusted during the term of the lease?*

- Rent Review – In most cases, no rent review exists during the initial term of the lease. Rent is reviewed to prevailing market value at lease renewal.
- Landlord Service Charges – This is a fee charged for maintaining the building's common areas and is usually between S\$0.60 and S\$1.20 per square foot per month. Whilst rent is fixed for the term of the lease, tenants in most leases are required to bear any increase in service charge during the lease term.
- Property Tax – Property tax is payable by the landlord based on an assessed annual value defined as rent the property may reasonably be expected to achieve. Whilst rent is fixed for the term of the lease, tenants in most leases are required to bear any increase in property tax during the lease term.

#### *How is rent paid – monthly, annually?*

Generally, rent with Goods and Services Tax is paid monthly or quarterly in advance usually without formal notice.

#### *What incentives are offered by the landlord?*

Rent-free periods remain the primary form of incentive

offered by landlords. These can vary from one month to several months depending on prevailing market conditions and size of tenancy. The first two to three months are catered for fitting out and the remaining to aggregate the signing rent into effective rent.

### FACILITIES

#### *How is floor space measured?*

For most leases, floor space is measured on a net lettable basis which includes column areas, but excludes toilets, ducts, stairways and lift lobby areas.

#### *What is generally provided by the landlord prior to occupancy of the space?*

Landlords typically provide bare units without carpets or other floor coverings, but with false ceilings, light fittings and painted walls. Under-floor trunks and raised flooring for cabling are provided in most major and new office buildings.

### COSTS

#### *What costs does the tenant incur at the time of occupancy?*

- Security Deposit – A deposit equivalent to three months' gross rent that is refundable in the event there is no breach by the Tenant at the end of the lease period without interest. A bank guarantee is acceptable on a case to case basis.
- Legal Fee and Stamp Duty – The landlord's legal fees and Stamp Duty for the lease agreement is borne by the Tenant on a scale basis. This does not include the Tenant's own legal cost.
- Consultants' Fees – To be borne by the Tenant when the landlord is required to use building consultants to approve the Tenant's fit out plans.
- Renovation Deposit – Is paid to the landlord by the Tenant or its contractors before commencement of fitting out works to ensure operational compliance and security against damages to the building. Will be refunded free of interest in the event there is no breach.
- Insurance – Tenants at their costs are required to keep the premises insured throughout the fit-out and lease period

#### *How are tenant works approved and executed?*

Tenants are required to submit fit-out plans to the landlord and relevant authorities for approval before ing works. In cases where there are alterations to building structures, mechanical and electrical systems, fire protection systems etc., the endorsement of professional consultants is required before submission to the relevant authorities. Tenants usually appoint interior designers who may also act as project managers to comprehensively undertake these aspects of the fit-out process on their behalf.

#### *What major additional costs should the tenant budget for during the term of the lease?*

In addition to the potential increases in service charges and property taxes mentioned earlier, there should be sufficient provision for after-hours air-conditioning charges.

*What major costs are tenants responsible for at the end of the lease?*

Upon expiration of the lease, tenants are required to bear the costs of reinstating the premises to its original bare condition at the time of occupation.

## OPTIONS

*Can furnished office space be leased on a short-term basis?*

There are a growing number of prestigious serviced office facilities offering furnished offices with support services on a month-to-month basis.

*Is leasing the only option for foreigners wishing to establish an office in your country?*

Foreigners may purchase strata titled offices in buildings that are strata subdivided. However, most top office buildings are owned en-bloc and strata titled buildings are rare.

*Are there restrictions on foreign ownership of commercial buildings in your country?*

There are generally no restrictions on foreign ownership of commercial buildings.

## THE LEASE

### *How long are leases generally?*

Lease terms are generally three to five years. However, they depend on client and tenant requirement and are tailored to suit prevailing economic and letting conditions.

### *What form of agreement would the tenant be asked to sign?*

The tenant would first sign an irrevocable offer to lease. On acceptance by the landlord, they would be asked to sign an agreement of lease, where the tenant pays a basic rent, an operating (pro-rata share of the building's operating costs) cost rental and rates and taxes, which may or may not be included in the operating costs.

Parking and utility charges are covered in the lease too.

### *Is the lease legally binding?*

The lease is legally binding once it has been signed by the lessee and the landlord or respective duly authorised representatives.

### *Are options to renew or extend the lease possible?*

Only if an option to renew has been granted. If this is the case, generally, renewal of the lease is restricted to the same number of years as the original lease term. In general, three to six months prior to expiry of the original lease term, negotiations are held and rent is reviewed to market values and agreed upon or determined by an independent valuer or qualified real estate broker. In RSA law, the option / renewal clauses usually provided are not valid in a court of law because courts do not recognise a right that is dependant on another right being exercised.

### *What regulations cover sub-leasing or assigning of leases?*

Assignment, cession and subletting reduces the landlord's rights to the property and premises. Ideally, these rights are not diminished unless the specific deal calls for a concession to be made. Sub-leasing is generally only allowed with the landlord's prior written approval. Generally, the landlord's approval shall not be unreasonably withheld. Landlords do not usually allow tenants to assign their lease. (This depends on the financial credibility of the sub-tenant).

## RENTAL

### *In what monetary units are rents quoted?*

Rents are quoted in Rand per square metre per month (usually exclusive of VAT).

### *When referring to rent, what does this specifically include?*

Rent includes basic rent and a pro-rata share of the building's operating costs, but does not include a payment of value added tax (VAT), which is currently assessed at 14%. Car parking space rental is a separate charge. Car parking spaces are allocated based on the space rented. Tenants are obligated to take-up and pay for these spaces. Utility charges and consumables are billed to the tenant on a metered / usage basis.

### *How is rent adjusted during the term of the lease?*

During the initial lease term, rent escalates annually at the agreed annual (compounded) escalation rate. Rents are reviewed to market levels. Operating costs are also

reviewed annually, either according to a fixed scale or based on actual expenses.

### *How is rent paid – monthly, annually?*

Rent is paid monthly in advance with or without demand. Penalties for late payment of rent are agreed on in the initial lease contract and are generally linked to the prevailing prime overdraft rate. Utilities and consumables are billed in arrear.

### *What incentives are offered by the landlord?*

Landlords occasionally offer a rent-free period dependant on market conditions. Landlords also offer a tenant installation allowance or fit-out allowance. This is usually three months' rent for a three-year lease and five months' rent for a five-year lease. New buildings that have not been previously fitted-out have allowances of R450 per square meter upwards.

## FACILITIES

### *How is floor space measured?*

It is measured according to the South African Property Owners Association's (SAPOA) recommended method published in August 2005 entitled 'Method for Measuring Floor Areas in Buildings'. Floor space is measured as the rentable net usable area. This is defined as the common area measured from the inside of the outer walls, excluding vertical penetrations. The rentable area of the building is the total area of the building enclosed by the dominant face, adjusted by deducting major vertical penetrations. No deduction shall be made for columns. Rentable area shall have a minimum floor-to ceiling height of 1.5 metres. Measurements are made in square metres.

### *What is generally provided by the landlord prior to occupation of the space?*

Landlords provide a first fix and, where negotiated, a tenant installation allowance, which includes money for partitioning, carpeting, air-conditioning, painting, and vertical blinds or window furniture.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

The tenant must pay documentation fees, which cover the legal costs of drawing up the lease and average R1,450 per lease agreement excluding VAT. Additional fees include telephone and computer installation, rental deposit, as well as the first month's gross rent including VAT.

### *Is key money charged or a security deposit required at the start of the lease?*

Generally a rental deposit equivalent to one month's rent is required assuming that a surety is provided, otherwise three months' rental up front is ordinarily required. However, if the landlord does not know the tenant, or if the tenant is a company registered outside South Africa, then the deposit would be subject to negotiation and as a general guideline is the equivalent of six months' rent. Key money / incentive for the space fee is negotiated separately.

## *How are tenant improvements specified, paid for and supervised?*

Dependant on the quality of the property, the tenant will be required to fit out their space in accordance with the tenant design criteria manual. Tenant improvements are agreed when the lease is signed and specified in the installation allowance and paid through higher rent. If the expected cost is exceeded, then the cost will be amortized over the term of the lease and paid by the tenant. The landlord or landlord's representative will organize and supervise all tenant improvements.

## *What additional costs should the tenant budget for during the term of the lease?*

The tenant should budget for increases in operating costs, rates and taxes, utility, consumable charges and cleaning services, which are generally not provided by the landlord including any additional security costs.

## *What costs are the tenants responsible for at the end of the lease?*

The tenant must bear the cost of leaving the premises in its original condition when occupied.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

Furnished office space in specialised facilities may be leased for short periods of time. Telephone, fax and secretarial services need to be arranged for by the tenant. This type of space is more expensive than leasing long-term, but proportionately so.

### *Is leasing the only option for foreigners wishing to establish an office in your country?*

Foreign companies may also own property.

### *Are there restrictions on foreign ownership of commercial buildings in your country?*

Foreign companies are at present not allowed to borrow more than one-third of the purchase price of any property if the company's major shareholders are registered outside of South Africa. In addition, companies that are bringing two-thirds of the funds into the country must first apply to the South Africa Reserve Bank to receive permission.

WORLDWIDE  
LEASING  
GUIDELINES

## THE LEASE

*How long are leases generally?*

The typical lease term is one year fixed, renewable at market rents. Two and three-year leases are available with predetermined increases at the end of the first and second years.

*What form of agreement would the tenant be asked to sign?*

Usually an individual tenancy agreement or lease, which may vary in details depending on the landlord, is signed. Most tenancy agreements strongly favor the landlord. A tenant will be provided with an English version of the signed Hangol (Korean) contract.

Standard terms and conditions, as used elsewhere in the world do not exist in Korea. Landlords are generally reluctant to consider allowing amendments to the lease terms, however, many are becoming increasingly flexible in an effort to maximize occupancy levels.

*Is the lease legally binding?*

Leases are legally binding, however, only the Hangol contract will be acknowledged under Korean law.

*Are options to renew or extend the lease possible?*

It depends on the case. In general, there's comments in lease contract that if there is no notice of not renewing from tenant after receiving renewal terms from landlord, the lease period is automatically extended.

*What regulations cover sub-leasing or assigning of leases?*

Sub-letting or assigning to a third party is possible in accordance with the terms of the original lease, but the landlord's prior permission must be obtained.

## RENTAL

*In what monetary units are rents quoted?*

Rents are quoted in won per pyung per month. One pyung equals 3.3058 square meters.

*When referring to rent, what does this specifically include?*

Rent is usually paid separately from additional charges. Items such as air-conditioning, service charges, government rates, utilities and car parking are independently charged to the tenant's account. Tenants should allow for an US\$9-12 per square meter per month for service charges and operating costs, in addition to base rent.

*How is rent adjusted during the term of the lease?*

In accordance with the law, landlords are entitled to adjust the rent during the term of the lease, however, landlords seldom exercise this right. Service charges, though, are frequently adjusted with a minimal amount of prior notice.

*How is rent paid – monthly, annually?*

The standard practice for international tenants is to pay a deposit, monthly rental, and monthly maintenance fee.

*What incentives are offered by the landlord?*

Generally, a rent-free period of one to two weeks is offered by the landlord.

## FACILITIES

*How is floor space measured?*

Floor space in Korea is generally measured on a gross basis. The typical efficiency ratio (the ratio of gross space to net space, excluding such common areas as toilets, corridors and car parking, etc.) of office space in CBD is 60-65%, but can be as low as 54-59% in Kanguam, and 52-56% in Yoido.

*What is generally provided by the landlord prior to occupancy of the space?*

It is quite common for units to be let with very few fittings, although a finished floor, painted walls, sprinkler system, air-conditioning and lighting would be considered standard.

## COSTS

*What costs does the tenant incur at the time of occupancy?*

At the time of occupation, the tenant will be responsible for fitting-out costs, payment of any deposit or chonseil, agency fees.

*Is key money charged or a security deposit required at the start of the lease?*

In the past, a security deposit would usually be included in the chonseil. If the tenant chooses to pay 100% chonseil, then no rent payments are made. However, it's not common now. In general, ten months' rental amount is required as an initial security deposit.

*How are tenant improvements specified, paid for and supervised?*

The handling of tenant improvements depends on the agreement reached between the two parties. In most cases, all improvement work whether paid for by the landlord or the tenant, has to be approved by the landlord. Plans need to be submitted and approval obtained, prior to commencement of the work. The landlord frequently nominates a subcontractor in order to maintain consistency and a standard of quality throughout the building. All fit-out costs will generally be paid by the tenant. Korean bank loans would not normally be available for this kind of work, therefore tenants will have to fund the work themselves.

*What additional costs should the tenant budget for during the term of the lease?*

Apart from the contractual obligations of rental, air-conditioning, management service charges, rates, etc., there should be no other related costs during the period of the lease. However, it is prudent to make allowances for the possible increase in management and service charges as these may increase during the lease term.

*What costs are the tenants responsible for at the end of the lease?*

At the end of the lease, the tenant must bear the cost of reinstating the premises to its original condition at the beginning of the lease minus the effects of normal wear and tear. Costs associated with the reinstatement may be deducted from the deposit before it is returned to the landlord.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

Small furnished units are available for short-term lease in business centers. However, the costs for monthly rentals tend to be higher than for regular office space, although chonsei is not normally required.

### *Is leasing the only option for foreigners wishing to establish an office in your country?*

No. Foreigners are able to acquire property in Korea under the provisions of the “Act Relating to Acquisition of Land by Foreigner and Control Thereof.”

### *Are there restrictions on foreign ownership of commercial buildings in your country?*

Overseas companies in specified business categories are now permitted to purchase industrial, commercial and residential property for their own occupation. The government attempts to prevent speculative investment through anti-speculative measures, such as a punitive tax on idle land.

## THE LEASE

### *How long are leases generally?*

Typically, lease terms are three, five, or ten years duration depending on the type of product, sector and location (e.g., one year contracts for residential lettings, three + five years in office lettings, five + five years in industrial), with possible break clauses at the end of the third and fifth year respectively, when rent is commonly adjusted to current market levels. If the break clauses will be used, notification by certified mail is required three to six months beforehand. Leases over ten years are not common.

Office leasing in Spain is regulated by Decree 4.101 of December 24, 1964, in addition to the modifications introduced by Royal Decree 2 of April 30, 1985, known as the Boyer Law, which is applicable to all contracts signed since May 9, 1985. Before the Boyer Law, leases could be concluded for an indefinite length of time with or without rent reviews. As a consequence, some tenants are paying rents considerably below market values. Decree 29 of November 29, 1994, abolished this rent control and ruled that all contracts must be submitted to rent reviews. However, this Decree will be enforced gradually, over twenty years.

### *What form of agreement would the tenant be asked to sign?*

In cases of lease agreements for office space or business premises, a private contract is the most common form of agreement a tenant would be asked to sign. Leases are registered in the Property Register and a deposit equivalent to two months' rent is paid.

### *Is the lease legally binding?*

The lease contract is a legally binding document, especially in regards to the obligation of returning the property to the landlord at the expiry term.

### *Are options to renew or extend the lease possible?*

According to Spanish law, lease contracts may be renewed or extended. Generally, tenants may renew for one to three years with a rent review.

### *What regulations cover subleasing or assigning of leases?*

Subleasing is permitted by law, but requires the approval of the landlord. The prohibition of subleasing may be specified in the lease contract.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are quoted in Euros per square meter per month.

### *When referring to rent, what does this specifically include?*

Net rent, which is most often quoted, does not include taxes and other expenses. In addition to rent, the tenant is generally responsible for service charges, internal repairs, insurance, rates, value added tax (VAT) of 16% on the net rent, and depending on the contract, municipal taxes. An average fee for service charges is calculated per square meter based on the services offered by the landlord as defined in the original lease contract. VAT is paid each month as rent is paid.

### *How is rent adjusted during the term of the lease?*

Annual rent reviews are based on the official inflation rate known as the IPC, a cost of living index provided by the National Institute of Statistics or I. N. E. Depending on the original agreement, lease contracts may include a review to current market levels, usually every three or five years. Service charges are also reviewed periodically. Spanish law does not clearly support upwards – only rent rewards.

### *How is rent paid – monthly, annually?*

Rent is paid in advance on a monthly basis usually by direct debit of the tenant's bank account. If rent is not paid on time there is usually a penalty, which is fixed according to interest rates established in the original contract.

### *What incentives are offered by the landlord?*

Depending on market conditions, a rent-free period may be offered or parking spaces could be included in the rent by landlord. At present, the rent-free period could be from three to six months. Additional concessions may include signage or corporate identification and parking allowances. Payment by landlords of fit-out and moving expenses is rare.

## FACILITIES

### *How is floor space measured?*

Current market practice is to consider floor space as the floor's built area, including walls, pillars, toilets, corridors and halls and excluding vertical space and common use areas such as elevators, stairs and lobbies.

### *What is generally provided by the landlord prior to occupation of the space?*

New buildings are usually offered with suspended ceilings, carpet, central air-conditioning, heating and security systems. Underfloor ducting and, occasionally, false floors are available in modern buildings. A certain number of telephone lines are also generally provided with modern buildings, however, additional telecommunications requirements may necessitate negotiations.

If the building under consideration has been refurbished, the situation is substantially different. In this case, a comprehensive analysis of the building's specifications and available equipment is recommended.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

Agent's fees, which are usually 10-12% (or a month of the rent) of the projected rent in the last year of the lease term, are normally paid by the landlord. (If agreement with a private contract there are no legal or registration fees to cover).

### *Is key money charged or a security deposit required at the start of the lease?*

An official security deposit equivalent to two months' rent is required at the start of the lease.

### *How are tenant improvements specified, paid for and supervised?*

The tenant may arrange for the specification and contracting of the improvements, but the landlord has the right of

on-site inspection of the works. Before work begins, all improvements planned by the tenant must be authorized by the landlord. Unauthorized works are grounds for breaking the lease and eviction of the tenant. At the end of the lease, the tenant must return the property to its original condition when first occupied except for authorized improvements, which remain on the premises for the benefit of the property.

Improvements will generally be financed by local banks. Landlords are not normally involved in the financing of tenant improvements.

*What additional costs should the tenant budget for during the term of the lease?*

Depending on the lease agreement, the tenant may be responsible for municipal taxes. In some cases, a supplementary insurance policy may be required by the landlord to assure the preservation of the premises. Tenants should also budget for rent and service charge increases according to the terms of the lease contract.

*What costs are the tenants responsible for at the end of the lease?*

The tenant is responsible for all costs incurred in returning the premises to good order and repair at the expiry of the lease term. In addition, the tenant must pay the costs of removing, if demanded by the landlord, the modifications introduced in the building without the landlord's consent.

## OPTIONS

*Can furnished office space be leased on a short-term basis?*

Serviced office accommodations including telephone, fax and secretarial help are available in major cities. This type of premises is offered on a monthly basis.

*Is leasing the only option for foreigners wishing to establish an office in your country?*

No, foreigners may also purchase property.

*Are there restrictions on foreign ownership of commercial buildings in your country?*

Foreigners may purchase commercial buildings with few restrictions, unless the building has cultural value.

## THE LEASE

### *How long are leases generally?*

A standard lease is three to five years (three being the most common). Usually nine to twelve months' notice is required to end the lease on the termination date, otherwise it automatically rolls on for another three or five years. Leases in new developments tend to be longer, between five and ten years.

### *What form of agreement would the tenant be asked to sign?*

There is a standard lease, developed by the Swedish Owner's Association, which is used by almost all landlords.

### *Is the lease legally binding?*

The lease contract is legally binding.

### *Are options to renew or extend the lease possible?*

Usually the lease rolls over automatically unless either party gives notice to terminate prior to expiry.

### *What regulations cover subleasing or assigning of leases?*

The tenant can sublease with the prior written consent of the landlord.

## RENTAL

### *In what monetary units are rents quoted?*

Swedish krona per square metre (kr/sqm)

### *When referring to rent, what does this specifically include?*

Rent usually includes everything except heating, cooling, air-conditioning, property tax and VAT. This can vary depending on the landlord and how much of the property the tenant occupies.

### *How is rent adjusted during the term of the lease?*

Annual CPI adjustments usually take effect from the first of January each year.

### *How is rent paid – monthly, annually?*

Rent is normally paid quarterly in advance.

### *What incentives are offered by the landlord?*

Generally, landlords will fit-out the premises to the tenant's requirements and factor this cost into the rent. Rent-free periods, discounted/stepped rents and other incentives, such as meeting part of the rental costs for the tenant's old premises, are becoming more popular in the current market.

## FACILITIES

### *How is floor space measured?*

Net area, from inner wall to inner wall. If a tenant occupies the whole building, the rentable area is likely to include lift lobbies and common areas.

### *What is generally provided by the landlord prior to occupation of the space?*

Usually an office is fitted-out ready to move in, excluding the data network. Vacating tenants generally leave their data cabling in place for the new tenant.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

Usually security is in the form of a bank guarantee, but can also be three to six months' rent deposit.

### *Is key money charged or a security deposit required at the start of the lease?*

Key money is common only in retail leases.

### *How are tenant improvements specified, paid for and supervised?*

Landlords prefer to do the fit-out themselves and factor this cost into the rent. If the tenant does the fit-out, it is documented in the lease and checked by the landlord's architect or property manager depending on the extent of the work undertaken.

### *What additional costs should the tenant budget for during the term of the lease?*

Tenants should budget for heating, cooling, air-conditioning, property tax and VAT. There can be other operating costs if the tenant leases the whole or the majority of the building.

### *What costs are the tenants responsible for at the end of the lease?*

The tenant must typically return the premises to the condition they were in at the beginning of the lease, with allowance for fair wear and tear.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

In office hotels or business centres, but this is not common in typical commercial properties.

### *Is leasing the only option for foreigners wishing to establish an office in your country?*

Foreigners may also purchase property, although most begin with a lease until they establish themselves.

### *Are there restrictions on foreign ownership of commercial buildings in your country?*

There are no restrictions on foreign ownership of commercial buildings and the Swedish property market has experienced a huge increase in foreign investors over the past few years.

## THE LEASE

### *How long are leases generally?*

Leases are generally for five years with an additional five-year option. However, a lease of ten years or longer is possible, particularly if the space to be leased is improved or built-to-suit for the tenant. Lease terms may be for longer than ten years, for example if the government is the leaseholder. However, a lease can also be concluded for an indefinite duration. In this case, a lease does not expire unless one of the parties gives notice to the other, generally with a notice period of six to twelve months by the end of March, June, September or December.

### *What form of agreement would the tenant be asked to sign?*

A tenant would generally be asked to sign one of the following:

- A standard contract, with blanks where information must be filled in, written by the House and Landowners Society/ Swiss Federation of Real Estate Trustees.
- An individual contract based on the landlord's proposal. This practice is common among the major real estate owners and companies.

### *Is the lease legally binding?*

The lease is legally binding according to the Swiss lease law/ code of obligation (OR).

### *Are options to renew or extend the lease possible?*

The parties are free to negotiate any options. If the option to renew is not granted in the original contract, a new contract must be negotiated. Legally, a commercial tenant does not have the right to extend the lease if the lease is concluded for a fixed period. If the lease has an indefinite duration, the tenant may refer to an arbitration court and ask for an extension of the lease for not more than six years. The court will grant an extension only if, having listened to the arguments of the tenant and the landlord, it considers that the break of the lease creates undue hardship for the tenant.

### *What regulations cover subleasing or assigning of leases?*

Generally subleasing and assigning of the lease is allowed subject to the approval of the landlord. The landlord is not allowed to refuse approval without good reason. If a contract is to be transferred to a new tenant, the original tenant retains liability for lease payments for an additional two years.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are quoted in Swiss Francs (CHF) per square metre per year.

### *When referring to rent, what does this specifically include?*

Rent means usually the net rent per square metre for the space only. It does not include services or the costs of operating the building. Additional charges for water, waste water, elevator operation, running costs of general technical equipment, air conditioning, cleaning, garbage removal, insurance, electricity in the common areas and

heating are paid in the form of a service charge in advance. The landlord normally has the responsibility to keep the building in good shape and is responsible for repairs and maintenance of the "shell & core" of the building as well as for fire insurance, property management fee and marketing of the building. In addition to the net rent, VAT at 7.6% must be paid if the landlord has put his property under the VAT laws. The tenant generally may ask for a refund of VAT from the tax authorities.

### *How is rent adjusted during the term of the lease?*

The most common practice is to link rents to the increase in the consumer index (only one increase per year is allowed). In this case a contract must have a minimum duration of five years. Staged rents, which increase at a fixed rate according to a fixed schedule, are also common (minimum duration of contract: three years).

### *How is rent paid – monthly, annually?*

Rent is paid in CHF monthly or quarterly in advance, along with service charges.

### *What incentives are offered by the landlord?*

Under current market conditions, two to three months rent-free is often offered as an incentive to tenants. Landlords are also willing to invest or finance partly a tenant fit-out.

## FACILITIES

### *How is floor space measured?*

There is a generally accepted standard (documentation d 0165) defined by the Swiss Association of Architects and Engineers. Floor space consists of what is behind the tenant's door on each floor. Walls and pillars are generally included in this measurement. Distances will be taken from inside facade to inside facade. Common areas (staircases, shafts, elevators) are not included.

### *What is generally provided by the landlord prior to occupation of the space?*

There is no general rule. If a building is newly rented, the landlord delivers a basic fit-out only. If a building is re-let frequently, the space is fitted out as a whole.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

The tenant's costs at the time of occupation are primarily those of preparing the space for occupation: for example, installing telephones and computer cables. The tenant also remains responsible for keeping the fit-out in a good condition.

### *Is key money charged or a security deposit required at the start of the lease?*

No key money is charged. At the start of the lease, three to six-months' gross rent is required as a security deposit. Bank guarantees will also be accepted.

### *How are tenant improvements specified, paid for and supervised?*

The conditions for tenant improvements are included in the original contract, sometimes by amendments. The landlord

## WORLDWIDE LEASING GUIDELINES

must approve any tenant improvements. Fire inspectors and other local authorities are also involved. Often the landlord will finance some of the tenant improvement costs, and then recover the investment through higher rent.

### *What additional costs should the tenant budget for during the term of the lease?*

The tenant should budget for the escalation of standard maintenance costs of the fit-out, as well as cleaning, electricity and telephone charges for the space. Service charges are paid monthly or quarterly in advance as an account. At the end of a 12-month period (at the end of June or December), the landlord will calculate the actual costs of the services compared to the charges the tenant paid and refund money as needed.

### *What costs is the tenant responsible for at the end of the lease?*

The tenant is responsible for restoring the premises to a good state of repair, as close as possible to the state in which they first occupied it. If partitions or other additions were made, they must be removed, unless otherwise agreed.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

Business centres that provide fully furnished offices are available for short periods. These centres also provide secretarial assistance, telephone and fax service, etc.

### *Is leasing the only option for foreigners wishing to establish an office in your country?*

Foreign companies may buy or lease space.

### *Are there restrictions on foreign ownership of commercial buildings in your country?*

There are no restrictions on foreign ownership of commercial properties.

## THE LEASE

### *How long are leases generally?*

Leases for office space are generally for an initial term of three to five years with an option to renew for another one to three years upon expiry of the initial term. All terms and conditions are subject to renegotiation with renewal.

It may be possible for the tenant to terminate the lease prior to the scheduled expiry subject to the agreement of the landlord. In such a scenario, the landlord will normally require a penalty equivalent to three to six months' rental.

### *What form of agreement would the tenant be asked to sign?*

The tenant will be required to sign a lease document. The terms and conditions therein are subject to negotiation and acceptance of both landlord and tenant.

### *Is the lease legally binding?*

The lease is a legally binding document in Taiwan. Although not required by law it is common practice for the landlord to notarize and register each lease in the district court in case of any disputes. The notarization fee is equally shared by the landlord and tenant.

### *Are options to renew or extend the lease possible?*

In most cases, the tenant has the option to renew or extend his lease. However, three months' advance notice is usually required.

### *What regulations cover subleasing or assigning of leases?*

Under Taiwan Civil Law, a company may sublet or assign space only with the written consent of the landlord.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are quoted in new Taiwan Dollars per ping per month. One ping is equal to 3.3058 square meters or 36 square feet.

### *When referring to rent, what does this specifically include?*

Rent is paid for the right of using the space only. All management fees and utility costs are paid separately.

### *How is rent adjusted during the term of the lease?*

Rent is normally increased 3% every year as agreed in the original lease contract. However, some landlords prefer to use the government's consumer price index (CPI), which usually ranges around 2%. Normally, the security deposit is not increased when the rent escalates. Management fees and utility costs increase only if the actual expenses increase. Management fees are generally stable, while utility rates float.

### *How is rent paid – monthly, annually?*

The general practice is that rent is paid monthly or quarterly, in advance, according to the negotiated agreement.

### *What incentives are offered by the landlord?*

It is not common practice for landlords to offer incentives to tenants. However, in a soft market, as was experienced in the last couple of years, landlords have been more willing to offer incentives, such as rent free or fit-out periods.

## FACILITIES

### *How is floor space measured?*

Floor space is measured on a gross basis. Rentable space in Taiwan includes: toilets, ducts, stairways, tea rooms, lifts, machinery rooms, lift lobbies, etc. The percentage of common area in the measurement of gross space is approximately 30-40%. The allocation of common area costs is approximately the same percentage of a tenant's total costs.

### *What is generally provided by the landlord prior to occupation of the space?*

Most landlords of major office buildings in CBDs will provide false ceilings, light fittings, and underfloor trunking. The exact package to be provided may be determined through negotiations.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

The cost of registering the lease in the district court is shared equally by the landlord and the tenant. The registration fee is charged by deal degrees, which the security deposit plus either the values of the entire lease or the government assessed value of the premises (the higher one will be taken).

- Degree 1: Deal is under NT\$200,000, registration fee is NT\$1000.
- Degree 2: Deal is NT\$200,000~500,000, registration fee is NT\$2000.
- Degree 3: Deal is NT\$500,000~1,000,000, registration fee is NT\$3000.
- Degree 4: Deal is NT\$1,000,000~2,000,000, registration fee is NT\$4000.
- Degree 5: Deal is NT\$2,000,000~5,000,000, registration fee is NT\$5000.
- Degree 6: Deal is NT\$5,000,000~10,000,000, registration fee is NT\$6000.
- Degree 7: Deal is NT\$10,000,000~50,000,000, registration fee is NT\$6000 adding extra fee NT\$2000 for every exceeded 10,000,000.

The addition of compulsory execution charges the half price of the registration fee.

The tenant is also responsible for his own attorney's fee, if it is necessary to use one, as well as value added tax (VAT) of 5% on the rental, payable to the government when rent is paid.

### *Is key money charged or a security deposit required at the start of the lease?*

A security or rental deposit equivalent to three to six months' rent will be charged. This deposit will be refunded to the tenant without interest when the lease expires.

### *How are tenant improvements specified, paid for and supervised?*

Tenants must organize their own fit-out by employing

## WORLDWIDE LEASING GUIDELINES

interior designers, architects or contractors. It is uncommon to have contractors assigned by the landlord. The tenant must budget for fit-out costs, which will vary depending on individual needs, and are deemed as capital expenses for income tax purposes, therefore depreciate over the lease term.

### *What additional costs should the tenant budget for during the term of the lease?*

During the period of the lease, tenants must pay for air-conditioning, building management fees, all utility costs, such as electricity, telephone, etc. as well as the interior maintenance costs, such as interior cleaning. Tenants should also budget for escalations in rent.

### *What costs are the tenants responsible for at the end of the lease?*

These costs depend on the terms of the lease. The tenant will be required to reinstate the space back to its original condition and must repair any damages that occurred during the lease or during the move out of the space.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

Yes, there are companies, which run temporary offices within the CBD area. However, the rental of these temporary offices is extremely expensive.

### *Is leasing the only option for foreigners wishing to establish an office in your country?*

Foreigners, wishing to establish an office in Taiwan, may also purchase property.

### *Are there restrictions on foreign ownership of commercial buildings in your country?*

There are restrictions on foreign ownership, but deregulation is being considered by the government.

## THE LEASE

### *How long are leases generally?*

Office leases generally are three years. If the lease is more than three years, special registration and a fee of 1% of the total rental are applied. However, landlords and tenants may sign one- or two-year leases.

### *What form of agreement would the tenant be asked to sign?*

The tenant will be asked to sign a lease agreement which is drafted individually by each landlord. Most of the content in the lease agreements are similar in general, but can be different in rental escalation cap, termination clause, sub-leasing, fitting out, car parking spaces, etc.

### *Is the lease legally binding?*

The lease is a legally binding document.

### *Are options to renew or extend the lease possible?*

The renewal and extension of the lease is generally possible with a specific of three or six months in advance. Renewal rates depend on market price or escalation cap set in previous lease agreement.

### *What regulations cover subleasing or assigning of leases?*

Most leases state that sub-leasing is allowed subject to landlord's approval. But some leases do not allow sub-leasing.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are quoted in Thai Baht per square meter per month.

### *When referring to rent, what does this specifically include?*

Rent and service charges include all landlords' services such as air conditioning during normal business hours, lift operating costs and maintenance, building insurance and maintenance, security, common area cleaning and lighting, and parking space maintenance.

### *How is rent adjusted during the term of the lease?*

Rent is fixed or stepped during the term of the lease. Renewal rate is adjusted according to the rent escalation cap in the previous lease and to market prices.

### *How is rent paid – monthly, annually?*

Rent is paid monthly in advance, usually with seven or fourteen days before the due date. Tenant is charged interest for late payment.

### *What incentives are offered by the landlord?*

Fit-out period (rent-free period) is offered.

## FACILITIES

### *How is floor space measured?*

Space is generally measured by gross wall to wall area, including columns, AHU, and shared corridors.

### *What is generally provided by the landlord prior to occupation of the space?*

Most buildings provide tile floor, suspended ceilings, light fittings, painted wall, fire alarm and water sprinklers. Some

buildings do not provide any of those for less expensive rent.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

Tenant will need to pay for:

- A security deposits of usually three months.
- One month rental in advance
- Car parking deposit
- Duty stamps
- Fitting-out costs
- Fitting-out deposit

### *Is key money charged or a security deposit required at the start of the lease?*

A security deposit is required.

### *How are tenant improvements specified, paid for and supervised?*

Office lay out plan has to be approved by the landlord in accordance with building regulations. Tenant will need to pay fitting-out deposit fee before the construction starts and the deposit will be returned when construction is completed and approved.

### *What additional costs should the tenant budget for during the term of the lease?*

Tenant pays their electricity bills and water bills, over-time air conditioning cost, extra parking spaces, insurance, and maintenance of its offices.

### *What costs are the tenants responsible for at the end of the lease?*

Tenants are generally responsible for the reinstatement of the space. They are required to return the space in original condition.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

Yes, there are serviced offices and some fitted office spaces available.

### *Is leasing the only option for foreigners wishing to establish an office in your country?*

No, purchasing is possible with restrictions.

### *Are there restrictions on foreign ownership of commercial buildings in your country?*

Thai law allows foreigners to buy office condominiums up to 50% of the total net area in a particular building. Foreigners can also buy land with restrictions set by the Board of Investment.

## WORLDWIDE LEASING GUIDELINES

### OTHER

#### *How can disputes between landlords and tenants be settled?*

Lease agreements are governed and construed in accordance with the law of Thailand. Any dispute arising should be submitted to the civil court of Thailand.

#### *What documents will the landlord require prior to signing the lease agreement?*

Tenant usually signs offer letter prior to the lease agreement. They must provide a copy of business registration with the Government.

#### *In which language is the lease agreement?*

It can be in either English or Thai.

## THE LEASE

### *How long are leases generally?*

The standard lease is generally signed for three to five years. However, in order to secure a good tenant mix, there is a tendency toward ten-year leases (five + five), especially for newly built Class A office space.

### *What form of agreement would the tenant be asked to sign?*

The tenant and landlord can sign either a standard lease contract, which can be supplied from any stationary store, or alternatively a special professional lease agreement prepared exclusively by a consultant.

### *Is the lease legally binding?*

It is 100% legally binding if it is notarised. However, courts generally take into consideration lease agreements that are signed but not notarised.

### *Are options to renew or extend the lease possible?*

The tenant may secure options to renew or extend the lease. Renewal of the lease would bring a rent review to market levels. If possible to renew, it would be included in the lease contract.

### *What regulations cover sub-leasing or assigning of leases?*

The landlord's permission is required before space may be sub-let. Generally, this permission is only given for organizations directly affiliated with the original tenant.

## RENTAL

### *In what monetary units are rents quoted?*

Usually, rents are quoted in US Dollars per square metre per month for Class A office space, but occasionally another hard currency is used (i.e. Euro). Turkish Liras are mainly asked for Class B office space.

### *When referring to rent, what does this specifically include?*

The tenant pays net base rent. Generally, if the landlord is an individual and not a company, then the tenant also pays a withholding tax of 22% of net base rent or if the landlord is a company, the tenant pays a value added tax (VAT) of 18% of net base rent. In addition, the tenant must pay service charges, such as central heating, electricity and water for the common areas.

### *How is rent adjusted during the term of the lease?*

There are two ways in which rent may be escalated. In the case of rents in Turkish Lira, the annual increase is roughly the previous year's inflation rate. In the case of rents in US Dollars, the annual review depends on the agreement between parties; generally after the second or third year of the lease term the rent is increased annually by about three to five percent. Service charges are also reviewed annually.

### *How is rent paid – monthly, annually?*

The schedule of rent payments may vary depending on the lease agreement. Generally, however, rent is paid monthly or in advance every three months, six months or one year.

### *What incentives are offered by the landlord?*

Tenants have the right to request a rent-free period for

decoration. Generally a rent-free period for a minimum of three to four weeks is possible.

## FACILITIES

### *How is floor space measured?*

Floor space is measured on a gross external area basis. The measurements include toilet facilities, kitchens, archive (storage) areas and common areas shared with other users.

### *What is generally provided by the landlord prior to occupation of the space?*

The landlord generally does not take responsibility for fit-out works. In the case of new Class A buildings, the landlord mainly delivers the office space in shell & core condition, but sometimes shell & core is upgraded to advanced shell & core (raised floor or suspended ceiling included) to attract demand.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

Tenants normally pay the broker's fee, which averages 10% of the gross annual rent, plus 18% VAT. Other fees vary depending on negotiations.

### *Is key money charged or a security deposit required at the start of the lease?*

The signing of the contract requires a security deposit, equivalent to one to three months' rent. This deposit is held by the landlord should the tenant miss rent payments or cause damages. If neither of these problems occurs, the deposit is refunded to the tenant at the expiry of the lease without interest.

### *How are tenant improvements specified, paid for and supervised?*

Tenant improvements are generally arranged and paid for by the tenant, according to his needs. The tenant must finance the improvements and, therefore, the payment terms should be arranged directly with the firm undertaking them. The landlord must approve all improvement work to be undertaken.

### *What additional costs should the tenant budget for during the term of the lease?*

The tenant should budget for annual escalation of rent. In addition, necessary repairs and maintenance of the rented space during the lease term should be included in the budget.

### *What costs are the tenants responsible for at the end of the lease?*

At the end of the lease, the tenant may be asked to convert the space back to its previous state (in terms of fit-out). However, usually landlords accept it "as is", if it is usable.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

Furnished space is available on a short-term basis in business centres only.



# Turkey

## WORLDWIDE LEASING GUIDELINES

*Is leasing the only option for foreigners wishing to establish an office in your country?*

Foreigners (individual or legal entity) can also buy office space in Turkey.

*Are there restrictions on foreign ownership of commercial buildings in your country?*

There are no restrictions on foreign ownership.

## THE LEASE

### *How long are leases generally?*

Lease terms differ depending on the class of a building. For Class A facilities a lease is usually for three years or more, while in Class B facilities the lease term is usually for one to three years.

### *What form of agreement would the tenant be asked to sign?*

In Class A buildings a standard US lease agreement with more pro-landlord provisions is usual. The tenant signs a standard lease document, which addresses the issues of tenant improvements, car parking, service charges, break options, force-majeur cases etc, as is done with leases in most of the West. In non-Class-A buildings, there is no standard lease. Lease agreements are as different as are the buildings. There may be a three-page contract for one, and a 20-page contract for another building of the same rental level.

### *Is the lease legally binding?*

Properly signed leases between legal entities are binding. All leases provide for arbitration if any problems arise. The official registration of leases is required by law only if the lease term is longer than three years, or for the purposes of registering the tenant's legal address.

### *Are options to renew or extend the lease possible?*

Tenants may secure options to renew or extend the lease. This is the common practice in most Class A or B leases.

### *What regulations cover sub-leasing or assigning of leases?*

Contracts are frequently negotiated giving the tenant the right to sub-let or assign with the landlord's consent. However, in most Class A buildings, the tenant cannot make a profit from a sub-lease. New (sub) tenants do not like to sub-lease, and in most cases lease assignments take place.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are quoted in US Dollars per square metre per year. The landlord changes rent paid in US Dollars into Hrivnas at the exchange rate posted by the National Bank of Ukraine.

### *When referring to rent, what does this specifically include?*

In addition to the base rent paid for occupation of the space, the tenant usually pays a service charge. In today's market, this is equal to \$42-60 per square metre per annum. In a few buildings, the service charge is \$72 per annum. Payment of this charge provides for security, common utilities, heat, etc. Additionally, tenants pay VAT at 20% and parking costs, which vary from \$1,000 to \$1,800 per annum.

### *How is rent adjusted during the term of the lease?*

In most Class A buildings, the base rent (but not service or parking) is annually increased by 2-3%, or in line with US inflation. As of today, there are widely used agreements with the right to annually revise rental rates, regarding to market situation. From our view, that is crisis-lasting tradition which will be eliminated after market stabilization in 2010-2011.

Although this clause is very controversial with respect to Ukrainian law, most Class A leases follow this provision.

In local developments, rental is typically flat over the term of the lease. However, service charges may be adjusted as expenses change, which term is provided in the lease.

### *How is rent paid – monthly, annually?*

Rent is usually paid monthly or quarterly in advance. If payment is late, penalties will be incurred as outlined in the lease.

### *What incentives are offered by the landlord?*

Landlords may offer free or discounted (50%) rent for the initial lease period (usually first one to two months) as incentive. The tenant is usually permitted to commit fit-out works one to two months before the commencement date. However, most international developers include fit-out period in the lease term and grant a rent-free period as compensation.

Because of crisis, almost all newly signed agreements contain significant concessions, including, but not limited to complete tenant fit-out at the expense of landlord and rent-free periods up to six months.

## FACILITIES

### *How is floor space measured?*

In most professional buildings the measurements are made according to BOMA standards. Class B and C developments use a local standard called BTI (Bureau of Technical Inventarization), which calculates all inside areas as rentable including corridors.

### *What is generally provided by the landlord prior to occupation of the space?*

The landlord usually provides the space to be occupied with a "shell and core finish" or concrete and bare walls. The building generally will have finished common areas. Sometimes the landlord shares the cost of fit-out or provides solid gypsum-board partitions at landlord's cost. Because of rising competition owing to the recession, more and more premises are offered with complete fit-out.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

Moving costs (average equal to one month's rent) plus advance rent (one to three months) as down payment.

### *Is key money charged or a security deposit required at the start of the lease?*

Often a security deposit equivalent to three months' rent is required, in addition to the advance described above. The security deposit is generally retained by the landlord in lieu of payment of the last three months' rent. In case the tenant inflicts any damage, the landlord uses the security deposit to cover this. Because of current conditions, landlords have started to require one month deposit plus bank guarantee.

### *How are tenant improvements specified, paid for and supervised?*

Tenant improvements are the responsibility of the tenant. In some cases, landlords offer a standard fit-out that is included in base rent, or an allowance of USD 150 per square metre.

WORLDWIDE  
LEASING  
GUIDELINES

*What additional costs should the tenant budget for during the term of the lease?*

The cost of electricity used by tenant sockets and lighting is not covered by the service charge in most buildings. The tenant should budget for fibre-optic telephone lines, supplied under a separate agreement with a telecommunications provider. The cost of parking spaces is charged separately and is usually equal to \$100-\$150/lot/month for surface or underground parking. The tenant is responsible for additional power and internal cleaning as well. If there will be extensive computer use, the tenant may need to budget for an upgrade of the power capacity. In many cases the tenant is required to insure his property from theft, fire and flood.

*What costs are the tenants responsible for at the end of the lease?*

A number of internationally owned buildings require a tenant to bear the costs of returning the space to its original condition upon occupation, apart from normal wear and tear, without tenant partitions. However, most local developers allow tenants to leave their fit-out and layout in the premises.

## OPTIONS

*Can furnished office space be leased on a short-term basis?*

The minimum lease term can be as low as three months. Most office buildings do not offer furniture for rent to tenants. It is usual for tenants to move their existing furniture from the old office or buy new furniture if opening or expanding.

*Is leasing the only option for foreigners wishing to establish an office in your country?*

Foreign entities and foreign citizens can also purchase an apartment or a building, and even the land underneath it, since the new land code was adopted some years ago.

*Are there restrictions on foreign ownership of commercial buildings in your country?*

There are no restrictions and no government approval is required, except for buildings that are considered to have official historical or architectural value and have been granted the specific status of "historical or architectural monuments".

## THE LEASE

### *How long are leases generally?*

Typically, leases offered range between fifteen and twenty-five years duration. However, during times of oversupply, landlords are inevitably forced to agree to shorter leases and tenants often negotiate a “break” clause. The frequency of these occurrences depends on the supply and demand of the particular city. Currently leases of ten to fifteen years are common.

### *What form of agreement would the tenant be asked to sign?*

As the UK investment market has become more institutionalised, leases have tended to move to a common standard. Once signed and sealed, the rights and obligations created under the lease are legally binding upon both parties. All leases differ slightly, however, since they are drawn up by different solicitors, but there is pressure to conform to the Code of Practice. In general, only leases with terms over twenty-one years are registered but this is to be changed. In view of the complexity of the law of registration, it is customary and advisable to consult a solicitor before entering into a lease.

Where the space to be let is under construction or to be built, both parties usually enter into an Agreement to Lease, prescribing the proposed date of practical completion, with the lease and a detailed specification attached.

### *Is the lease legally binding?*

A lease is a legally binding document and as such the tenant undertakes its obligations for the full term entered into. The lease may, however, confer upon the tenant the right to assign or sub-let but this is usually made subject to the landlord's consent, which normally cannot be unreasonably withheld. Certain instances with absolute prohibition against assignment or sub-letting may be created, while in other cases the landlord may reserve the first right of refusal to take the space back.

### *Are options to renew or extend the lease possible?*

In general, legislation confers upon a tenant the right of continued occupation at a market rent and upon modern terms. It is recommended that professional advice be sought to ensure that prospective tenants benefit from these rights and to ensure that potential liabilities are limited. These rights require the tenant to comply with strict timetables and conditions.

### *What regulations cover sub-leasing or assigning of leases?*

British legislation (Landlord and Tenant (Covenants) Act 1995) effectively abolishes privity of contract for new leases signed after January 1, 1996. Under this legislation landlords may hold the outgoing tenant responsible for a breach of contract only by the immediate assignee and not any subsequent assignees. Landlords may stipulate the conditions under which a tenant may assign a lease and stricter standards are being introduced. The sale of a property releases the landlord from obligations to the tenants, provided there are no reasonable objections by the tenants.

## RENTAL

### *In what monetary units are rents quoted?*

Since 2000, rents are required to be quoted in Pounds Sterling per square metre per year. However, rents are also generally still expressed in Pounds Sterling per square foot per year.

### *When referring to rent, what does this specifically include?*

Modern commercial leases are normally on a full repairing and insuring (FR&I) basis, giving the landlord a net rent. Expenses such as lift-operating costs, building insurance and maintenance, security, local rates and property taxes, will be paid by the tenant in addition to rent. If a building is multi-tenanted, these expenses will generally be recouped by way of a service charge.

### *How is rent adjusted during the term of the lease?*

In most cases, rent is reviewed to the open market rental value at the end of every five-year period. Modern rent review clauses generally provide that the review shall be upwards only, although there is Government pressure for this to change. There are other methods of calculating rent, for instance with reference to turnover or the retail price index, but use of these methods is rare.

### *How is rent paid – monthly, annually?*

Rents are generally paid quarterly in advance, usually without formal demand. Often interest will accrue if rent is not paid within fourteen days of the due date.

### *What incentives are offered by the landlord?*

Incentives that might be offered in a new letting range from a rent-free period, additional time for fit-out, a fit-out allowance, time to find a tenant for excess space pending expansion, to a fixed cash sum. However, the availability of incentives varies by location depending on the strength of the market.

## FACILITIES

### *How is floor space measured?*

Commercial office accommodation is normally measured on a “net internal” basis, which is the net usable area excluding internal walls, entrance halls, pillars, stairs, corridors, smoke lobbies and toilet areas, etc. Guidelines are laid down by the Royal Institution of Chartered Surveyors for all commercial property measurement.

### *What is generally provided by the landlord prior to occupation of the space?*

In general, office accommodation is carpeted by the landlord, and offered together with suspended ceilings, lighting and wiring, and mechanical and electrical servicing. New high quality space is arranged to provide under-floor electrical and telecommunications or IT linkage below a raised floor. It is important, particularly when taking new space, to obtain a comprehensive specification of what the landlord will provide. Suitability for or provision of telecommunications facilities is important.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

Incoming tenants are often made responsible for their own legal costs as well as those of the lessor. Costs are fixed according to a sliding scale prescribed by the Law Society. In addition, all professional fees are subject to Value Added Tax currently levied at 17.5%. Stamp duty is also applicable and details should be obtained from your solicitors.

In the case of real estate advice where an agent acts on behalf of the landlord, the agent receives payment of commission from the landlord and there is no redress to the incoming tenant to pay a commission as well. Where an agent acts on behalf of a prospective tenant in the search and negotiation of accommodation, the agent's fees are payable by the tenant and are based on a pre-determined percentage of the rent passing, usually 10% of one year's rent.

### *Is key money charged or a security deposit required at the start of the lease?*

It is uncommon for a landlord to seek a premium or key money when new space is leased. However, where a prospective tenant wishes to take over an existing lease by way of an assignment or sub-lease, a premium reflecting the value of the lease is sometimes paid. A premium might also include a sum for the fit-out, although this element will vary with the quality and usefulness to the incoming tenants. Advice from accountants should be sought in respect to writing down premiums for tax purposes. Entire premiums, or at least part of them, can be financed through sale and leaseback. The lease is sold to an institution and a new lease taken back at a market rent.

### *How are tenant improvements specified, paid for and supervised?*

The matter of tenant improvements is handled in different ways dependent upon whether a tenant is taking a new lease or if the tenant wishes to upgrade or alter his accommodation during the term of his existing lease. For a new lease, market conditions in the UK have meant that landlords offer attractive inducements such as capital contributions and costs. The extent of these incentives has declined as market conditions improve throughout the UK. Depending on the market, landlords may offer a tenant a package whereby the landlord will incur part of the costs of any fit-out work for partitioning, etc., provided the landlord has approved any alterations or work to be carried out. Alternatively, sometimes the costs of any work completed by the landlord may be added to the rent and recovered over the period up to the first rent review, i.e. at the fifth year. It must also be noted that a landlord may require a tenant to reinstate the premises to its original condition at the end of the lease term. However, this may not be the case where the work is non-specialised and therefore will enhance the rental value. For tenant improvements undertaken during the lease term, the extent to which the tenant will be allowed to improve or alter the premises will be dependant upon the alteration covenant contained within the lease. Generally speaking, non-structural alterations will be allowed subject to the landlord's consent and such consent cannot be unreasonably withheld. Structural alterations are generally prohibited, although consent can

sometimes be obtained. The landlord's consent may take the form of a license or license letter, the former for major works and the latter for minor works. The tenant will always have to provide detailed specifications and drawings of the proposed works, which must be approved by the landlord's surveyors. In most cases, where a tenant carries out improvements or alternations during the term of the lease, he will be expected to fund them. It is dependent upon the negotiations and terms of the lease whether such improvements will be discounted upon review. Alternatively, the landlord can fund the works and add the additional value to rent payments. The landlord's surveyor will supervise the carrying out of the works and ensure that they comply with the specifications and drawings and that works are carried out in a good and workmanlike manner. If the tenant is required to pay for fit-out costs, there are a number of ways in which the fit-out can be financed locally in order to conserve working capital. Tenants may seek to raise a bank loan secured on the asset and possibly with further collateral. This gives the benefit of depreciation allowances, which are generally retained by the party that continues to own the asset, for tax purposes. A more sophisticated technique of leasing the fit-out, available through banks, merchant banks and finance companies, is designed to suit the tenant's requirements. The leasing costs reflect the depreciation allowances the leasing company enjoys as the owner of the asset, but recent corporate tax reforms have made this method less favourable to the leasing company and hence more costly.

### *What additional costs should the tenant budget for during the term of the lease?*

Under the terms of the lease, tenants may be obligated to redecorate and maintain the premises according to a prescribed timetable. If the tenant wishes to assign or sublet the lease, agent's fees are generally chargeable at 10% of the rent passing and 5% of any premium achieved, although these averages vary depending on local conditions and practices. A 17.5% Value Added Tax should also be allowed for.

### *What costs are the tenants responsible for at the end of the lease?*

Typically, leases are on a full repairing and insuring (FR&I) basis provided that the tenant pays rent and keeps the premises in good order and repair and leaves them so at the expiry of the lease term. The landlord may recover the cost of rectifying any tenant's failure to comply with these obligations. This aspect of a lease tends to be complex and it is recommended that specific advice be obtained regarding the extent of tenant obligations.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

Within the major cities of the United Kingdom, serviced office accommodation is available. Typically these business services are offered on a month-to-month basis and include furnished office space with telephone, fax and secretarial assistance. The standards of such accommodation vary considerably and it is recommended that local advice be sought before making a commitment.

*Is leasing the only option for foreigners wishing to establish an office in your country?*

In the United Kingdom, foreigners can lease or buy.

*Are there restrictions on foreign ownership of commercial buildings in your country?*

There are no restrictions.

## **OTHER**

*When are guarantees required?*

When the company acquiring the lease is unknown to UK landlords, it is likely that the landlord will seek some form of guarantee. There are three forms this guarantee may take. First, and the most common, is a Parent Company guarantee, whereby the Parent Company guarantees to pay all outgoings in respect of the accommodations acquired by the subsidiary should the subsidiary default on their lease or financial obligations at any stage. Second, a rental deposit may be held in a mutually agreed upon account. This deposit would probably amount to a sum equivalent to six to twelve months' rent and would only be called upon should the subsidiary default on the lease or any covenants contained therein, during the period of the guarantee. Should the account not be called upon, then any interest accrued will be paid to the subsidiary. Third, is a bank guarantee. While this option is viable, it tends to be the most complicated. In this arrangement a bank guarantees to pay any expenditure should the subsidiary default on the lease or any of the covenants contained therein. Under normal circumstances, a release from the guarantee may be agreed when the subsidiary can provide the landlord with accounts that show a net profit equivalent to three times the annual rent for two consecutive years. If it is the parent company's intention to run the UK operation as a subsidiary for the foreseeable future, therefore not preparing individual accounts, then it can sometimes be agreed that the guarantee will be removed after a period of time once the subsidiary has proved themselves a suitable and desirable tenant that pays rent, service charges, etc. on time.

*What is different in Scotland?*

The situation is broadly similar in Scotland, except that there is no legislation giving security of tenure to a tenant at the end of a lease. Lease renewal negotiations are on an open market basis and no compensation is payable for tenant improvements if the tenant does not renew. The legally binding nature of an offer also differs from the rest of the UK. Seeking solicitor's advice is strongly recommended.

## WORLDWIDE LEASING GUIDELINES

### THE LEASE

#### *How long are leases generally?*

Flexible lease terms are being driven by today's high growth users, however, the typical office lease terms typically range from five to ten years. Larger users can secure terms of up to 15 years with options to renew at market rents.

#### *What form of agreement would the tenant be asked to sign?*

Most buildings have a standard lease document, which is signed and witnessed by both the tenant and the landlord. The lease and attached exhibits fully describe the premises and all terms of the agreement including specifications of work to be done by the landlord. Leases also often secure the right to lease a set number of parking spaces in a parking garage or parking lot, if it is controlled by the landlord. It is strongly recommended that tenants secure a lawyer to review the lease document.

#### *Is the lease legally binding?*

Leases are legally binding documents.

#### *Are options to renew or extend the lease possible?*

Options to renew a lease may sometimes be secured from the landlord as a concession, especially for large tenants. Mostly, exercising these options results in a rent review market levels, but it is not uncommon for the renewal rates to be set in advance. Unless the market is especially soft, landlords will expect a premium rate for a set renewal.

#### *What regulations cover subleasing or assigning of leases?*

In some cases, all regulations pertaining to subleasing or assigning of the lease are stated in the lease contract. In other cases, the tenant may obtain permission, which may not be reasonably withheld, from the landlord to sublet or assign.

Generally, the original tenant remains responsible for the terms and conditions of the lease after subleasing, however, some assignments absolve the tenant of responsibility. It is also possible, if agreed in the original lease, for the landlord to reclaim the space and/ or share in the profits of subleasing.

### RENTAL

#### *In what monetary units are rents quoted?*

In most locations, rents are quoted in US dollars per square foot per annum. However, in some states, such as California, rates are quoted in US dollars per square foot per month.

#### *When referring to rent, what does this specifically include?*

Generally, in major office buildings, a full service or gross lease requires the landlord to pay expenses involving the building's operation: electricity for heating, ventilating and airconditioning (HVAC), etc. and involving tenant use involving tenant use: cleaning, maintenance, insurance and real estate taxes. Under a gross lease, in addition to base rents, tenants are responsible for parking expenses, after hours HVAC, specific liability and property insurance premiums, and any remodeling expenses incurred during the tenant's term.

Under a "net" lease, the tenant usually pays for electricity for the HVAC, lights and outlets, as well as taxes. A "net-net" lease often requires the tenant to pay for building insurance and cleaning services also. Under a "triple-net" lease, the tenant is responsible for all building operating expenses.

In practice, the services included in the "net", "double net" and "triple net" leases vary significantly from building to building and must be specified in each situation.

#### *How is rent adjusted during the term of the lease?*

Leases often call for an increase in the base rental rate based on a percentage of the change in the Consumer Price Index, a fixed percentage, dollar amount or another COLA index.

Tenants are typically responsible for increases in the operating expenses and real estate taxes of a building. All such increases above actual expenses and taxes incurred in a base year, usually the first year the tenant occupies the space. or above a set base, \$8.00 per square foot, for example, are paid by the tenant on a pro rata basis. Payments are made at the end of the accounting year or are estimated in advance and included in the monthly rental payments.

In some cases, rents may be fixed for the duration of the lease term, with increases only in the operating costs and real estate taxes.

#### *How is rent paid – monthly, annually?*

Rent is paid in advance at the beginning of every month without demand. Most leases specify a period after which a rental payment is considered in default and penalties are incurred.

#### *What incentives are offered by the landlord?*

The most common concessions are a free rent period at the start of the lease term and added allowances or materials for improvements. For example, a landlord in San Francisco might offer additional concessions including expansion and extension options, tenant signage or identification, equity participation, assumption of former lease obligation, escalation caps and expanding parking allowances. Many tenants are faced with trading traditional lease incentives for greater premise and term flexibility. Generally, landlords will avoid dropping the rental rate in order to maintain the value of the building in the eyes of the lenders and potential purchasers.

### FACILITIES

#### *How is floor space measured?*

There are two types of space measurement in office buildings in the US:

- Usable Area – Usable Area represents the square footage actually within the demising walls of the tenant's suite. It is measured from the finished surface of the office side of the corridor and other prominent walls to the center of the partitions that separate the office from the adjoining usable areas and to the outside finished surface of the dominant portion of the outer building walls. Internal columns are generally included.

- **Rentable Area** – Rentable area is the figure used to determine rental payments. It includes the usable area plus common areas on the floor such as corridors, maintenance closets and bathrooms, but excludes major vertical penetrations such as elevator shafts, common stairways and vertical ducts. The common area, expressed as a percentage of the usable area, is known as the “loss factor” or “load factor.” The determination of this loss factor varies from building to building. In New York City and in many atrium buildings, for example, it is not uncommon to include the ground floor public areas and remote mechanical space in the “loss factor.”

In some cases, floor space will be measured as the usable square feet plus a load factor of 1-25%.

### *What is generally provided by the landlord prior to occupation of the space?*

Most new office buildings provide hung ceilings, fluorescent lights, doors, partitioning, electrical and telephone outlets, window blinds, and carpet or a carpet allowance in quantities outlined in a building standard work letter. Landlords will often offer these items in quantities as needed as a concession. Dedicated electrical circuits, special millwork, upgraded carpets and individual toilets and kitchens are at the tenant’s cost unless otherwise negotiated.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

In addition to ordinary moving expenses, furniture, telecommunications setup and the first month’s rent, the tenant can expect to pay for special tenant improvements and insurance premiums prior to moving in.

### *Is key money charged or a security deposit required at the start of the lease?*

Security deposits, usually equivalent to one to four months’ rent are often required from tenants with lesser credit ratings at the execution of the lease. The deposits are held by the landlord, either bearing or not bearing interest, until the tenant has vacated the premises and honored all obligations. Strong tenants can sometimes substitute a letter of credit for the deposit or waive the provision all together.

### *How are tenant improvements specified, paid for and supervised?*

Tenants who are responsible for a substantial part of their fit-out can sometimes get the landlord to finance the improvements and amortize the cost over the term of the lease. Often landlords will provide a cash allowance as the work is performed. Small tenants, leasing under 20,000 sf, usually have a landlord supervise the work, while larger tenants will supervise directly. Financing from other sources, such as banks, is also common.

### *What additional costs should the tenant budget for during the term of the lease?*

Tenants should budget for increases in operating costs and taxes as a result of the escalation clause. In some cities, after hours HVAC may also be a consideration. Many leases allow

landlords to pass through long term capital improvements on a term, pro-rata basis.

### *What costs are the tenants responsible for at the end of the lease?*

Tenants must bear the costs of repairing any damage caused by removal of fixtures or greater than normal wear and tear. The landlord usually requests that the tenant bear the costs of removing any improvements or alterations made during the lease term without the consent of the landlord.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

The shared office space concept provides furnished office space on a short-term basis. In most major cities, shared office companies provide fully furnished individual offices or suites, complete with telephones, secretarial services, shared conference facilities, kitchens and other amenities. Often these offices are in first class buildings and offer small tenants all the convenience of established office facilities. However, costs may be prohibitively high, for example a room or office in an executive suite in San Francisco may cost \$1,000-1,200 a month.

### *Is leasing the only option for foreigners wishing to establish an office in your country?*

Foreigners may also purchase property.

### *Are there restrictions on foreign ownership of commercial buildings in your country?*

There are no federal restrictions on foreign ownership of property. There may, however, be some restrictions in various states.

## THE LEASE

### *How long are leases generally?*

The typical lease term is two to three years with or without the option to renew for another term.

### *What form of agreement would the tenant be asked to sign?*

For higher grade buildings the landlord's lawyer will prepare a standard lease contract based along international guidelines and the Royal Institution of Chartered Surveyors. For lower grade buildings lease contracts may be based upon guidelines set by the Land & Housing Department. Each party shall bear its own legal costs.

### *Is the lease legally binding?*

Leases are legally binding in accordance with the laws of the Socialist Republic of Vietnam. In the event that a dispute arises it will be submitted to the Economic Court of Vietnam. Even if a tenant or landlord agrees that arbitration is to be held in another country typically Singapore the award is not legally binding in Vietnam.

### *Are options to renew or extend the lease possible?*

It is common for landlords to grant options for renewal or extension on the same terms and conditions of the existing lease except for rent which is usually fixed at open market values.

### *What regulations cover sub-leasing or assigning of leases?*

Subleasing and assigning in Vietnam is not legally possible, however landlords will allow tenants to surrender their lease and prepare a new lease in the name of the new tenant.

## RENTAL

### *In what monetary units are rents quoted?*

Rents are usually fixed in United States Dollars but payable in Vietnamese Dong at the average of the buying and selling rates at one of the local or international banks.

### *When referring to rent, what does this specifically include?*

In most cases, rent includes only the cost of occupying the space, with management or service fees, car parking, etc. paid in addition to rent payments.

### *How is rent adjusted during the term of the lease?*

Rent is usually fixed for the entire term of a two- or three-year lease. Management and service charges are subject to adjustment on an annual basis.

### *How is rent paid – monthly, annually?*

Rent is usually paid quarterly.

### *What incentives are offered by the landlord?*

Landlords are granting up to one to two months' fit out period prior to the lease commencement date. Other allowances such as contribution to fitting out costs are subject to market conditions.

## FACILITIES

### *How is floor space measured?*

Gross floor area is normally used for leasing purposes. However offer letters to lease accommodation usually provide both net and gross areas to allow tenants to compare like with like.

### *What is generally provided by the landlord prior to occupation of the space?*

Landlords generally provide standard ceiling fixtures including the provision of air conditioning equipment together with lighting, plastered but not painted walls, a finished floor but without carpeting, wall finishing's and partitioning. Window blinds are provided by the landlord but paid for by the tenant.

## COSTS

### *What costs does the tenant incur at the time of occupation?*

The tenant is responsible for the following:

- A security deposit, usually two to three months' rent
- A rental advance, usually three month's rent
- A management or service fee charge, ranging from USD 3-7 / sqm / month
- Fitting-out costs
- Fitting-out coordination costs
- Agent or broker fees if represented by a service provider.

### *Is key money charged or a security deposit required at the start of the lease?*

No premium or key money is charged at the beginning of the lease. Security deposits as above.

### *How are tenant improvements specified, paid for and supervised?*

All tenant improvement work has to be approved in writing by the landlord. Plans should be submitted and approved prior to commencement of the work. Some buildings have their nominated contractors to do HVAC, fire protection, electrical wiring and fit-out work.

In most cases tenant's pay for their improvements and are supervised by the landlord's technical team.

### *What additional costs should the tenant budget for during the term of the lease?*

Apart from the contractual obligations of rent, air-conditioning, management service charges, etc., there should be no other related costs during the period of the lease.

### *What costs are the tenants responsible for at the end of the lease?*

At the end of the lease, the property must be reinstated to the same condition in which it was found at the beginning of the lease with the exception of reasonable wear and tear.

## OPTIONS

### *Can furnished office space be leased on a short-term basis?*

A number of small, furnished units can be leased on a short-term basis, and in some buildings, units may be leased on a daily basis. The rent for this type of space is comparatively higher than market rent for premises leased on a contractual basis.

### *Is leasing the only option for foreigners wishing to establish an office in your country?*

Yes however some developers may allow a purchase of a long leasehold interest for a term equivalent to the developers investment licence.

### *Are there restrictions on foreign ownership of commercial buildings in your country?*

Foreigners are allowed to buy long leasehold interests only for a term upto a maximum of the buildings investment licence or land use right. Currently options to renew on commercial properties are not allowed.

## OTHER

### *How can disputes between landlords and tenants be settled?*

It is common for the lease agreement to provide that should any dispute arise between the landlord and the tenant regarding the lease agreement, which is normally governed in accordance with the Laws of the Socialist Republic of Vietnam, and no resolution can be reached after consultation, either party may refer the dispute to the Vietnam Economic Court for mediation. Any arbitration award shall be final and binding on both parties.

In the event that a lease signed by the parties allows for arbitration in another country the award is not legally binding in Vietnam. Lease disputes are very rare in Vietnam.

### *What documents will the landlord require prior to signing the lease agreement?*

The tenant must produce a business license issued by the government together with copies of passports or ID Cards of those who are signing the lease.

### *In which language is the lease agreement?*

In most cases, the agreement is in both English and Vietnamese, the latter version prevailing under the law.

Colliers International  
USA Headquarters  
50 Milk Street, 20th Floor  
Boston, MA 02109 USA

Tel +1 617 722 0221  
Fax +1 617 722 0224

[www.colliers.com](http://www.colliers.com)

