

GUIDE TO OFFICE LEASING IN SINGAPORE





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INTRODUCTION TO THE SINGAPORE OFFICE MARKET

Singapore commercial property has typical efficiency factor ranging between 90%-95%. Local and foreign banks, multi-national companies and established professional service firms are attracted to the Central Business District (CBD) because of its favorable business environment and easy access to public transportation, food and shopping. However, there are also companies that prefer an office outside CBD area, due to their different business needs.

During your search for office premises, you may wish to take note of the following factors:

- ◆ Location & Accessibility
- ◆ Building Specifications
- ◆ Rental and Service Charge
- ◆ Lease Period
- ◆ Fitting Out Period and Rent Free Period
- ◆ Security Deposit
- ◆ Legal Fee and Stamp Duty
- ◆ Renovation Deposit
- ◆ Reinstatement



TYPES OF COMMERCIAL OFFICE PROPERTIES

There are four main types of commercial office properties in Singapore:

- ◆ Standard Office Buildings
- ◆ Serviced Offices & Co-Working Space
- ◆ Shophouses
- ◆ Business Parks



Standard Office Buildings

- ◆ Intended only for office usage
- ◆ Located within CBD area and fringe CBD
- ◆ Typically have security, lifts, centralised air-conditioning. Such common areas are maintained by the landlord
- ◆ Comes furnished with ceiling boards, lighting system, fire safety system

Serviced Offices & Co-Working Space

- ◆ Fully equipped office
- ◆ Located within CBD area and fringe CBD
- ◆ Suitable for start-ups or overseas companies who wish to venture the market with a small representative office
- ◆ Allow a fully operational office within a short notice (typically less than two months)
- ◆ Sizes range from 1 person and up to 100 persons

Shophouses

- ◆ Low-rise conserved buildings that are used for office
- ◆ Located within CBD area and fringe CBD
- ◆ Usually have lower rental rates than that of standard office buildings as there is no service charge/maintenance charge
- ◆ Most units come in bare condition



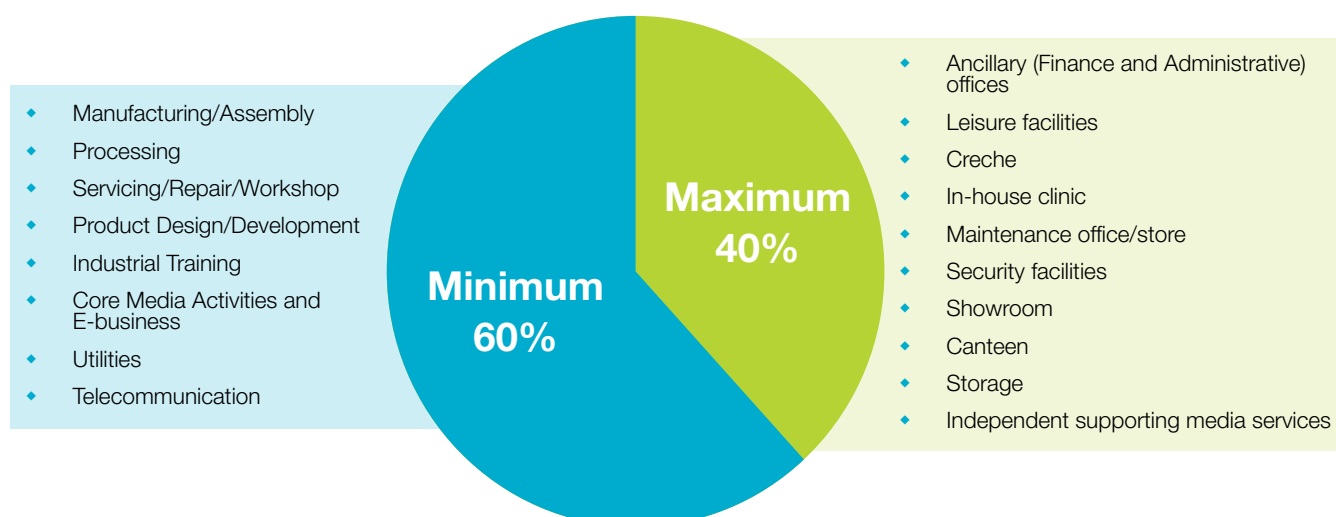
Business Parks

There are two different types of space found in Business Park buildings:

Research Unit	IT / Normal Unit
<p>Completely bare shell without any air-conditioning, lighting provisions or false ceiling.</p> <p>Provision for floor trap, auxiliary air-conditioning and exhaust is available.</p> <p>Typically used to set up Research and Development laboratories.</p>	<p>Equipped with centralised air-conditioning systems, sprinklers, lightings, emergency lighting and false ceiling.</p>

URA Business Park Space Regulations

Tenant in all Singapore business parks are required by the Government agency JTC to comply with the 60%/40% ratio of space set out by the Urban Redevelopment Authority (URA).



LOCATION & ACCESSIBILITY

The choice of location largely depends on individual business needs and activities.

Easy accessibility to public transport, especially train services MRT (Mass Rapid Transit), is critical in staff recruitment and retention. At the same time, it is important to have food and other amenities (e.g. banks, shops, gyms) within close proximity.

Please see below for the key features of the different office districts in Singapore.

 **International Business Park / Science Park 1 & 2**
Business Park & Light Industrial

Key features:

- ◆ Relatively low rental
- ◆ Business Park environment
- ◆ Large floor plates

 **Tampines Financial Centre**
Office

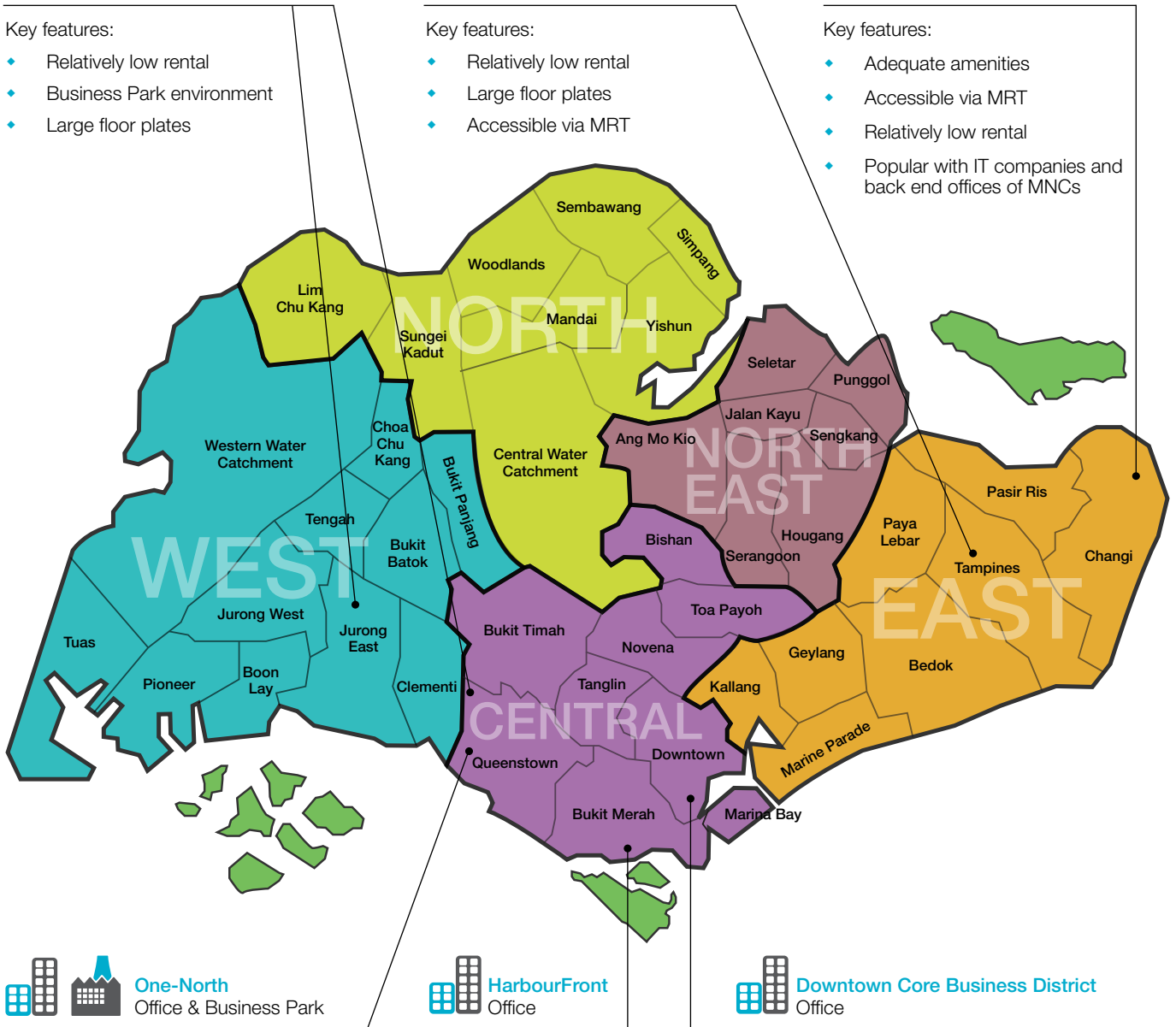
Key features:

- ◆ Relatively low rental
- ◆ Large floor plates
- ◆ Accessible via MRT

 **Changi Business Park**
Business Park

Key features:

- ◆ Adequate amenities
- ◆ Accessible via MRT
- ◆ Relatively low rental
- ◆ Popular with IT companies and back end offices of MNCs



 **One-North**
Office & Business Park

Key features:

- ◆ Adequate amenities
- ◆ Accessible via MRT
- ◆ Business Park Environment
- ◆ Large floor plates
- ◆ Popular with back-end offices of MNCs

 **HarbourFront**
Office

Key features:

- ◆ Adequate amenities
- ◆ Accessible via MRT
- ◆ Sea view
- ◆ Popular with logistics and shipping firms

 **Downtown Core Business District**
Office

Key features:

- ◆ Good amenities
- ◆ Accessible via MRT
- ◆ Popular with MNCs (e.g. banks, insurance, IT, etc.)

STANDARD MARKET PRACTICES & COMMON TERMINOLOGY

Key Terms / Common Terminology	Definition / Standard Market Practices
Rental and Service Charge	<p>Rental rates are usually quoted as gross rent in Singapore dollar per square feet per calendar months (S\$psf/mth), comprising of Base Rent plus Service Charge.</p> <p>Typically, tenants are asked to pay rent on a monthly basis and it is subject to Goods and Services Tax (GST).</p> <p>Service Charge (between S\$1.00 to S\$1.30 per sq ft per month) is for centralised air-conditioning expenses during office hours, maintenance and security of the common area and other building's outgoings. This charge may be subjected to adjustments if there are changes in the maintenance cost.</p>
Lease Period	<p>Lease Period is usually for two to three years. For multiple floor tenancies or anchor tenants, longer Leases can be negotiated.</p> <p>Any Lease of seven years or longer has to be registered with the Singapore Land Authority.</p>
Option to Renew	<p>Option to Renew is usually for a period of two to three years and is usually at a rent to be agreed or reviewed according to the prevailing market rent, unless a rent cap has been mutually agreed between two parties in the Lease Agreement. Although rental caps are not common practice in Singapore.</p>
Possession Date	<p>Possession Date is the agreed date between the Landlord and Tenant for the Tenant to take possession of the property.</p> <p>It is usually one to three months prior to the Lease Commencement Date, depending on the size of the unit leased, and is often referred to as the "Fitting-out period".</p>

STANDARD MARKET PRACTICES & COMMON TERMINOLOGY

Key Terms / Common Terminology	Definition / Standard Market Practices
Lease Commencement Date	<p>Lease Commencement Date is the agreed date for the commencement of rent payable by the Tenant. Rent payments are ongoing monthly or quarterly for the duration of the Lease, unless otherwise stated.</p>
Fitting Out Period	<p>Fitting Out Period is the period between the Possession Date and the Lease Commencement Date for tenant to renovate the new premises.</p> <p>Depending on the size of the premises and the prevailing market conditions, the period can range between two weeks to three months. Most Landlords will waive the payment of the Service Charge during this period although there may be exceptions.</p>
Rent Free Period	<p>Rent Free Period occurs during the lease period whereby the tenant is not required to pay rental for the occupation of the premises.</p>
Security Deposit	<p>Security Deposit equivalent to three to six months' gross rent, is usually payable upon confirmation of the Lease and it is refundable (without interest) at the end of the Lease.</p> <p>The amount depends on Tenant's financial standing/ paid-up capital registered under Accounting and Corporate Regulatory Authority (ACRA).</p>

STANDARD MARKET PRACTICES & COMMON TERMINOLOGY

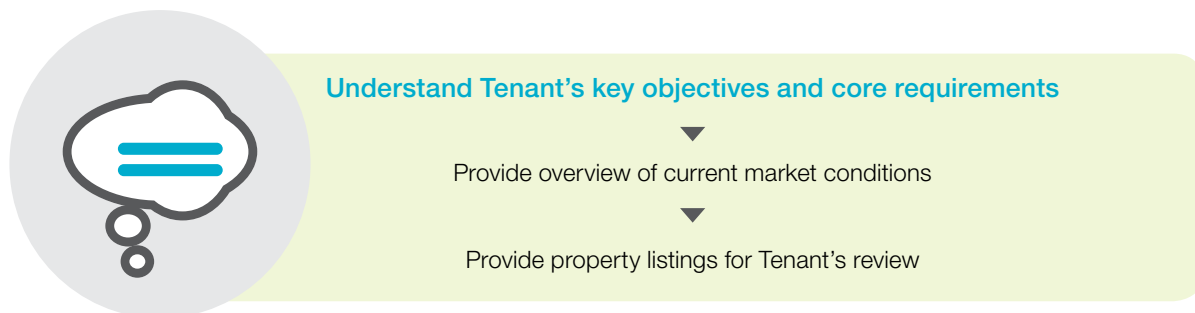
Key Terms / Common Terminology	Definition / Standard Market Practices										
<p>Legal fee / Stamp Duty</p>	<p>it is common practice that Tenant bears Landlord's Legal Fee in relation to the preparation, negotiation and execution of the Lease documents.</p> <p>Stamp Duty is a tax on commercial and legal document, which records and gives effect to transactions. It is paid by Tenant to Internal Revenue Authority of Singapore (IRAS).</p> <p>The Stamp Duty rates as follows:</p> <table border="1" data-bbox="821 808 1465 1155"> <thead> <tr> <th colspan="2" data-bbox="821 808 1465 846">Lease Duty Rates</th> </tr> </thead> <tbody> <tr> <td data-bbox="821 846 1225 920">(a) Where average annual rent (AAR) does not exceed S\$1,000</td> <td data-bbox="1225 846 1465 920">Exempted</td> </tr> <tr> <td colspan="2" data-bbox="821 920 1465 987">(b) Where AAR exceeds S\$1,000 :</td> </tr> <tr> <td data-bbox="821 987 1225 1055">Lease period of 4 years or less</td> <td data-bbox="1225 987 1465 1055">0.4% of total rent for the period of the lease</td> </tr> <tr> <td data-bbox="821 1055 1225 1155">Lease period of more than 4 years or for any indefinite term</td> <td data-bbox="1225 1055 1465 1155">0.4% of 4 times the AAR for the period of the lease</td> </tr> </tbody> </table>	Lease Duty Rates		(a) Where average annual rent (AAR) does not exceed S\$1,000	Exempted	(b) Where AAR exceeds S\$1,000 :		Lease period of 4 years or less	0.4% of total rent for the period of the lease	Lease period of more than 4 years or for any indefinite term	0.4% of 4 times the AAR for the period of the lease
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Lease period of more than 4 years or for any indefinite term	0.4% of 4 times the AAR for the period of the lease										
<p>Renovation Deposit</p>	<p>Tenant is required to place a Renovation Deposit with Landlord to cover any damages caused to the common areas during the renovation period.</p> <p>It is typically S\$10,000 or S\$1 per sq ft lease. This deposit is refunded upon Landlord's inspection of the renovation works.</p>										
<p>Reinstatement</p>	<p>Tenant is required to restore and reinstate the office premises to its bare and original condition upon the expiry of the Lease at their own cost, although there may be exceptions.</p>										

STANDARD MARKET PRACTICES & COMMON TERMINOLOGY

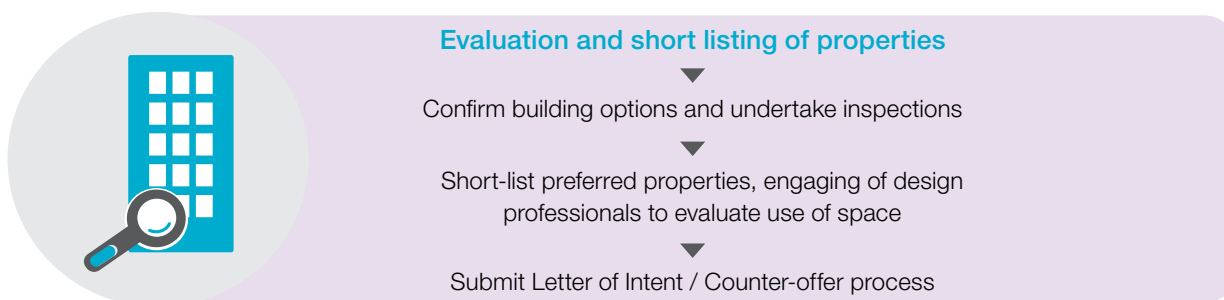
Key Terms / Common Terminology	Definition / Standard Market Practices
<p>Letter of Intent (LOI)</p>	<p>Letter of Intent (LOI) is a non-legally binding document and it outlines the main terms and conditions to be negotiated on by both the tenant and Landlord.</p> <p>The Landlord will respond to the LOI submitted and may counter propose on several terms.</p>
<p>Letter of Offer (LOO)</p>	<p>After the main terms and conditions are agreed upon by both parties, the Landlord will issue the Letter of Offer (LOO) and a copy of Lease Agreement, detailing all terms and conditions. Both documents are legally binding upon acceptance.</p> <p>Once the details are agreed between both parties, Tenant will sign the LOO and pay a booking fee equivalent to one month rental (subjected to prevailing GST).</p>
<p>Lease Agreement</p>	<p>The Landlord's legal council will then present the Tenant with the Lease Agreement outlining the Terms and Conditions applicable to both parties as stated in the LOO.</p>

TYPICAL LEASING PROCESS

STEP 1



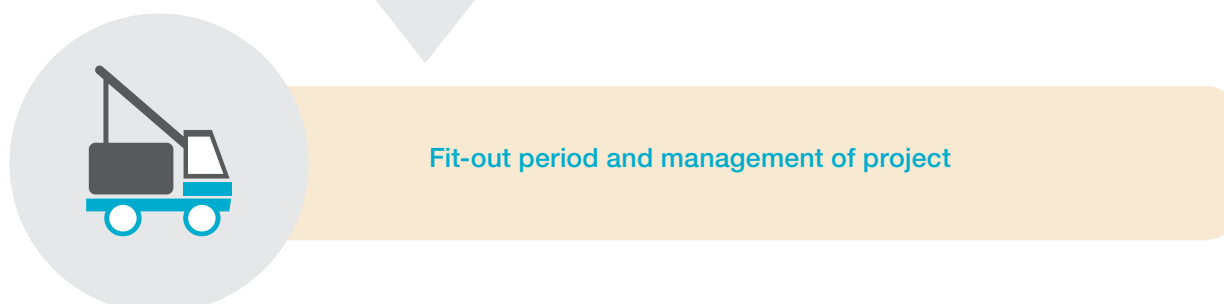
STEP 2



STEP 3 (A)



STEP 3 (B)



SPACE REQUIREMENT & RENOVATION COST

When searching for an office space, it may be useful to have a guide that will help you in securing the right amount of office space. Kindly find below the typical space requirements for bare units and the estimated renovation cost. Do note that this is only meant as a guide and the figures may vary slightly.

Office Space Requirement By Trade

	(A) Floor Area per Employee (sq ft / employee)	(B) Number of Employee	(A X B) Total Floor Area Required (sq ft)
Representative Office	100	.....	.....
Banking & Finance	100 - 150	.....	.....
Consultancy, Sales & Professional Services	80 - 100	.....	.....
Technology, Media & Telecommunications	130 - 200	.....	.....

Office Space Requirement By Function

	(A) Floor Area per Employee (sq ft / employee)	(B) Quantity Required	(A X B) Total Floor Area Required (sq ft)
RECEPTION			
Small (no reception desk, 2 - 4 guests)	150	.....	.....
Medium (reception desk, 2 - 4 guests)	125 - 200	.....	.....
Large (reception desk, 6 - 8 guests)	200 - 300	.....	.....
OFFICES			
Managing Director's Office	150 - 200	.....	.....
Manager's Office	100 - 150	.....	.....
OPEN PLAN WORKSTATIONS			
Manager	50 - 75	.....	.....
General Staff	25 - 40	.....	.....
MEETING ROOMS			
4-person meeting room	120	.....	.....
6-person meeting room	150	.....	.....
CONFERENCE ROOMS			
8 - 10 person conference room	200 - 250	.....	.....
10 - 12 person conference room	250 - 280	.....	.....

**All information is provided in good faith for guidance and reference purposes only.*

Office Space Requirement By Function

	(A) Floor Area per Employee (sq ft / employee)	(B) Quantity Required	(A X B) Total Floor Area Required (sq ft)
PANTRY			
Small	100 - 120	.....	.....
Medium	150 - 200	.....	.....
Large	200 - 250	.....	.....
UTILITY / STORAGE			
Small	75	.....	.....
Medium	100 - 150	.....	.....
Large	150 - 200	.....	.....
CORRIDOR / CIRCULATION SPACE	add 15 - 20%	.....	.....
TOTAL OFFICE SPACE REQUIREMENT			..... sq ft

Estimated Renovation Cost (\$/sq ft)	Low-Range	Mid-Range	High-Range
Fixtures & Fittings and Finishes (Partition Works, Doors/Frames, Interior Finishes - Ceiling, Wall, Flooring, etc.)	S\$25.00 - S\$32.50	S\$33.50 - S\$42.50	SS\$47.50 - Up
MEP Services (Electrical Works, Fire Protection Installation, ACMV Installation, Plumbing, etc.)	S\$17.50 - S\$22.75	S\$23.45 - S\$29.75	S\$33.25 - Up
Furniture (Custom/Loose Furniture, Storage Cabinets, etc.)	S\$5.00 - S\$6.50	S\$6.70 - S\$8.50	S\$9.50 - Up
Miscellaneous (Blinds, Signage, FSSB submission, Insurance, Security System, etc.)	S\$2.50 - S\$3.25	S\$3.35 - S\$4.25	S\$4.75 - Up
Total Renovation Cost (\$/sq ft)	S\$50 - S\$65	S\$67 - S\$85	S\$95 - Up

TOTAL RENOVATION COST = S\$ _____ per sq ft X _____ sq ft = S\$ _____

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ABOUT KNIGHT FRANK OFFICE ADVISORY

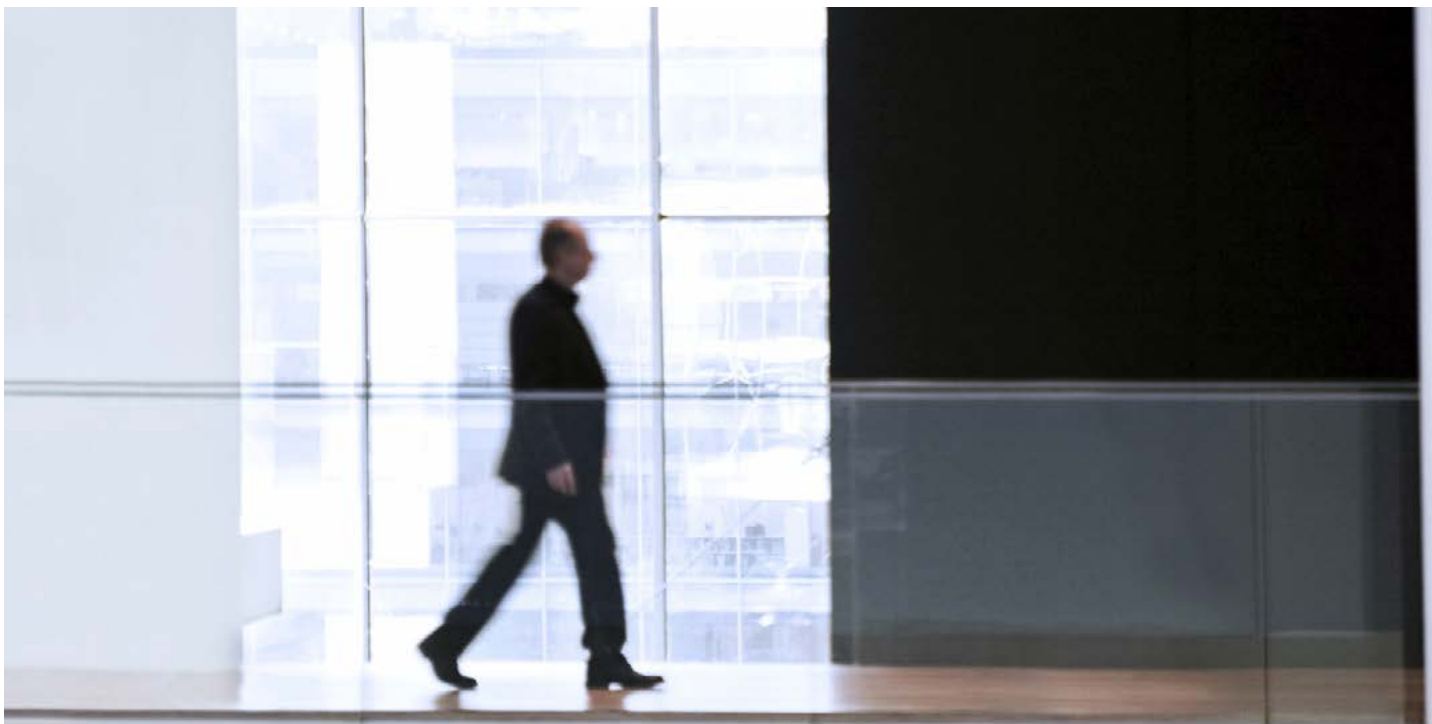
Our Office Advisory department is fully committed to delivering a Corporate Real Estate solution, with enthusiasm and dedication, providing added value through a focused, thorough and systematic approach.

As we only act for tenants and occupiers, we have no conflicts of interest and we provide truly independent and impartial advice. Our position of impartiality allows us free rein to negotiate the lowest occupancy costs and the greatest flexibility for our clients.

- ◆ The Singapore team have found offices for over 400 clients in the last five years.
- ◆ Offer expert real estate services for all commercial matters relating to office occupation; including relocation and expansion.
- ◆ Develop bespoke project teams to deliver intelligent marketing strategies tailored to our clients requirements.
- ◆ Provide full service professional advice and assistance with all elements complimentary to real estate transactions, from financial analysis and modelling, to fit out co-ordination and space planning.

Our key services:

- ◆ Proactive approach negotiating best deal for tenant
- ◆ Detailed needs analysis
- ◆ Lease negotiations
- ◆ Market analysis
- ◆ Strategic consultancy
- ◆ Geography and demographic analysis
- ◆ Building due diligence analysis
- ◆ Comparative cashflow analysis
- ◆ Rent reviews
- ◆ Benchmarking analysis
- ◆ Lease renewals



OUR TEAM

With over 417 offices in 58 countries, Knight Frank has extensive global coverage, enabling us to network for suitable commercial properties most aligned to your requirements. Our connectivity allows us valuable insight and access to the most up-to-date research on local and regional commercial property markets worldwide.

We have worked with many Multinational corporations, Government bodies as well as Small and medium-sized enterprises including:

- ◆ Allied World Assurance
- ◆ Alstom
- ◆ Amoria Bond
- ◆ Avaya
- ◆ Bacardi
- ◆ BBC Worldwide Channels
- ◆ Blackstone
- ◆ Blizzard
- ◆ Braemar Falconer
- ◆ Brother
- ◆ Dow Corning
- ◆ Faithful+Gould
- ◆ FireEye
- ◆ Flow Traders
- ◆ Fortress
- ◆ FOX
- ◆ Gazprom
- ◆ Haier
- ◆ Hirsch Bedner Associates
- ◆ Hugo Boss
- ◆ Kimberly-Clark
- ◆ Macgregor
- ◆ McAfee
- ◆ RenaissanceRe
- ◆ Riverbed
- ◆ S.A.C. Capital Advisors
- ◆ Sapient
- ◆ ServiceSource
- ◆ Singapore Ministry of National Development
- ◆ Skandia
- ◆ Sony Music
- ◆ Spencer Ogden
- ◆ Sumitomo Mitsui Trust Bank
- ◆ Volvo

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