

Foreign Companies Leasing Office Space in Singapore

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A Practice Note discussing the issues to consider when a foreign organisation leases office space in a multi-tenant building in Singapore. This Note provides guidance for foreign counsel on the leasing process in Singapore, including the workflow of the transaction, laws affecting the parties, and key documents, issues, and customs in leasing transactions.

A company that is considering opening an office in a foreign jurisdiction must be informed about the local laws and customs related to office leasing. This Note provides a high-level overview of the office space leasing process in Singapore, including discussion of:

- The professionals that should be engaged when opening a foreign office.
- Common leasing structures.
- The principal stages in a typical leasing transaction (including physical and legal due diligence).
- Key lease terms for tenants.
- Lease registration requirements.
- Taxes applicable to office space leases.

This Note is useful for counsel advising a foreign organisation in its home jurisdiction on the key legal and practical points to consider when leasing an office in Singapore. This Note is not, however, intended to be a replacement for legal advice from a lawyer that is qualified in Singapore commercial property landlord and tenant law.

This Note assumes the tenant is leasing space in a completed multi-tenant office building. It does not address build-to-suit or single-tenant transactions. This Note also does not address the following topics:

- Current market conditions for office leases.
- Construction law except as it relates to due diligence of the premises (for more information, see [Country Q&A, Construction and projects in Singapore: overview](#)).

- Environmental law except as it relates to due diligence of the premises (for more information, see [Country Q&A, Environmental law and practice in Singapore: overview](#)).
- Establishing a business presence (for more information, see [Practice Note, Establishing a Branch Office or Presence in Singapore](#) and [Country Q&A, Establishing a Business in Singapore](#)).
- Corporate registration and filing requirements (for more information, see [Country Q&A, Doing Business in Singapore: Overview: Question 8](#)).
- Financing a leasehold interest.
- Employment law (for more information, see [Country Q&As, Doing Business in Singapore : Overview: Questions 10 to 15](#) and [Employment and Employee Benefits in Singapore: Overview](#)).
- Tax law (except as it relates to Goods and Services Tax (GST), stamp duty, and property tax in commercial leases) (for more information, see [Country Q&A, Doing Business in Singapore: Overview: Questions 16 to 25](#)).

For an overview of commercial real estate in Singapore, see [Country Q&A, Commercial Real Estate in Singapore: Overview](#).

Workflow of a Leasing Transaction

In Singapore, there are several steps involved in identifying appropriate office space and completing an office lease. These steps include the following, which can overlap depending on the particular transaction:

- Assemble the leasing team (see [Leasing Team](#)).
- Define the lease and space criteria (see [Office Location Considerations](#)).
- Enter into a letter of intent (LOI) or term sheet and a non-disclosure agreement (NDA) (see [Preliminary Agreements](#)).
- Conduct due diligence of the premises, the property, and the landlord (see [Due Diligence](#)).
- Negotiate the lease and other related agreements (see [Primary Documents](#) and [Box, Tenant Lease Negotiations](#)).
- Execute the lease and pay stamp duty on the lease (see [Executing the Lease](#)).

Leasing Team

The critical first step for an organisation when deciding to lease an office in a foreign jurisdiction is to identify the key internal and external advisors. These advisors provide valuable input on the criteria for the premises and the lease.

Internal Team

There are potentially many experts within the tenant's organisation who should be consulted when drawing up the premises criteria. The tenant should consider including internal representatives from departments such as:

- Human resources.
- Information technology (IT) including privacy and data protection.
- Operations and security.
- Finance and accounting.
- Insurance or risk management.
- Tax.
- Legal.

Key External Advisers

Leasing Agent

If an organisation does not have detailed knowledge of the area in question, it may be advisable and prudent to employ a leasing agent. A leasing agent is a local expert that knows the market and holds a valid Estate Agent Licence from the [Council for Estate Agencies](#) (CEA) in Singapore.

Both landlords and tenants in complex commercial lease transactions are usually represented by separate leasing agents. The agents are involved from initial discussions to lease execution and sometimes during the lease term to handle disputes between the parties or assist in lease renewals and modifications. Under the Code of Ethics and Professional Client Care prescribed in the [Estate Agents \(Estate Agency Work\) Regulations 2010](#), the tenant's leasing agent owes a fiduciary duty to its client and can provide the following services for the tenant:

- Advise on market trends and lease terms and guide the leasing process.
- Identify potential markets and premises that satisfy the tenant's space allocation and operational needs (see [Office Location Considerations](#)).
- Facilitate lease negotiations with the landlord or landlord's solicitors.

Commercial Real Estate Solicitors

Engaging legal counsel in Singapore is typical when preparing and negotiating legal documents, such as the lease and ancillary lease documents in commercial leases.

Commercial real estate solicitors in Singapore are qualified solicitors holding a valid practising certificate and can provide leasing transaction services depending on the type and scale of the proposed lease such as:

- Advising on the applicable legislation, rules, regulations, requirements, and practice directions on the proposed lease.
- Drafting and negotiating the transaction documents, including the LOI and lease documents (see [Legal Documents](#)).
- Conducting legal due diligence (see [Due Diligence](#)).

Although leasing agents often prepare the LOI and assist with negotiating the lease documents, legal counsel can be involved in the early stages of the transaction to protect its client's interests and to ensure compliance with legal requirements.

In a large-scale commercial lease transaction, the tenant can also engage counsel that specialise in other fields, such as tax law, corporate law, or environmental law, depending on the specifics of the transaction.

Architects, Engineers, and Design Professionals

Depending on the size of the proposed premises and scope of initial alterations work, a tenant may want to engage third-party consultants, such as architects, engineers, and design professionals.

An engineer can inspect and analyse the premises and the building to identify any concerns and determine the premises' suitability for the tenant's proposed use. The engineer can also help define the tenant's technical requirements. An engineer may consider:

- Structural capacity.
- Heating, ventilation, and air conditioning (HVAC) and electrical service adequacy.
- IT and data transmission capacity.
- Environmental matters.
- Health and safety matters.

Architects and design professionals provide expertise in space design and layout. An architect:

- Advises on options for using the space.
- Draws up plans and specifications (or reviews the landlord's plans) for building out the space.
- Provides cost estimates for the work.
- Oversees the initial fitting-out.

If the tenant is to perform renovations or fitting-out works, it often engages the landlord's architect and engineer who are most familiar with the building, or an architect and engineer approved by the landlord. These professionals should be identified and approved early in the process to avoid delays in the renovation or fitting-out period.

Office Location Considerations

Although financial requirements are of primary importance when opening an office, establishing an office in the right location for the organisation can be a significant driver in delivering a positive culture and success in the business. A suitably experienced and qualified leasing agent can assist the tenant in formulating and prioritising the tenant's lease criteria. Some factors the tenant should consider include:

- **The number of employees in the office and work arrangements.** The human resources department should consult on plans to staff the office and plans to allow hybrid or other flexible working arrangements. This dictates the size and layout of the space that the tenant requires and allows the tenant to prepare cost projections that are based on the rentable square meterage of the premises.
- **Business needs and requirements.** The tenant's specific needs for its business, such as:
 - specifics on office layout;
 - requirements for specialised technology or other equipment;
 - delivery and visitor access; and
 - parking.
- **Commuting and transportation access.** How accessible the office is to the employees.
- **Amenities and services.** What amenities the tenant expects to have in the building and services it expects the landlord to provide.
- **The landlord's financial condition and reputation.** Whether the landlord is viewed favourably in the market and is in a stable financial position to satisfy its lease obligations.
- **Public amenities in location.** What services, restaurants, and stores are accessible in the surrounding area for employees.

Principal Types of Leases and Structures

Direct Lease

The simplest and most common scenario is a direct lease between the property owner, as the landlord, and the tenant. In this case, the landlord offers the premises to the tenant free of any prior tenancies or occupants and the tenant is in privity of contract and privity of estate with the landlord.

Lease Assignment or Novation

The tenant can also assume the prior tenant's lease by assignment or novation. A new tenant considering this option must review the lease to determine:

- **Whether assignment or novation is permitted.** If the lease is silent on this point, the tenant should confirm with its leasing solicitors if the lease may be assigned or novated under the applicable contractual law. Under Singapore law, a lease may be assigned or novated unless the lease contains an express provision restricting it. In a novation, a new contract is formed between the landlord and the new tenant and consent of all parties to the original lease is required for the novation. For an assignment, only the prior tenant (the assignor) needs to sign the contract for assignment.
- **The conditions to assignment or novation.** If an assignment or novation to unaffiliated third parties is permitted, it is customary for a lease to provide that the landlord's consent must be obtained before the assignment or novation. The lease also often includes other conditions to assignment or novation, such as requirements regarding the reputation and financial strength of the assignee.
- **The lease obligations which the new tenant will be assuming.** The new tenant should determine whether it is assuming any outstanding liabilities, covenants, or obligations of the prior tenant.
- **Permitted Use.** The new tenant should ensure that its intended use of the premises is permitted under the lease and the applicable law.

Typically, in commercial leases, there is a prohibition against or a condition to obtain the landlord's consent on:

- Assigning or subletting the lease.
- Parting with or sharing possession of the leased premises with others (except for related companies in the same group in some cases).
- A change of control of the tenant.

A legal reorganisation or restructuring within the tenant's company is usually deemed a lease assignment requiring the landlord's consent. A transfer or sale of the tenant's business also requires the landlord's consent, as it would be equivalent to a change of control of the tenant.

Subletting

A tenant may also consider subleasing premises from an existing tenant. In Singapore, lease agreements do not commonly allow subletting office premises to an unaffiliated third party. However, tenants can request or seek approval from the landlord for partial subletting in certain circumstances.

Subleases present competing interests among the head landlord, existing tenant (or sublandlord) and subtenant. As the existing tenant is not transferring its entire leasehold interest to the subtenant, the landlord-tenant relationship remains intact between the head landlord and existing tenant. This relationship between the head landlord and existing tenant includes the privity of estate and the privity of contract, which the subtenant does not have with the head landlord. Note, however, that under the doctrine of privity of estate, certain covenants that touch and concern the land, such as the obligations to pay rent and repair the premises, bind third parties such as a subtenant.

Subletting has legal implications in that the subtenant will not have the requisite *locus standi* (capacity) to take any direct action against the head landlord to enforce the head landlord's obligations under the primary lease.

Types of Leasing Structures

State Leases

In Singapore, some of the land is owned by the State. When the State offers a piece of State land to the private sector for residential, office, retail, industrial, and other developments, a grant or lease of the State land is made to the entity that made the successful bid for the State land. The types of grants or leases of land that may be made by the State are prescribed in the [State Lands Act 1920](#).

The [Singapore Land Authority](#) (SLA) acts as the custodian of State land and is responsible for ensuring that all sales of leasehold interests in State lands are conducted in the most open and transparent manner through competitive public tenders or auctions. SLA is also responsible for the issuance of land titles to the grantee of the State lease (referred to as the landowners in this Note) and the administration of State grants or leases for the sites sold. Currently, SLA has appointed [Urban Redevelopment Authority](#) (URA), [Housing and Development Board](#) (HDB), and [Jurong Town Corporation](#) (JTC) as their Land Sales Agents for the sale of State lands under the [Government Land Sales](#) (GLS) and [Industrial Government Land Sales](#) (IGLS) Programmes.

All State leases have specified tenures. The tenure of each State lease is specified in the land titles in respect of the site (for example, 99 years or 999 years). Landowners can apply for the renewal of State leases with reference to the current Lease Policy set out in the [SLA website](#). Each application is considered on its own merits, bearing in mind the government's long-term plans for the land and in consultation with other public agencies.

For purposes of this Note discussing office space leases, the grantee of the State lease is referred to as the landlord of the space lease and the tenant of a commercial property owned by the landlord on the site subject to the State lease is referred to as the tenant of the space lease.

Premises Leases

Depending on the rent structure and the party responsible for the building operating costs, there are two main types of leasing structures when leasing commercial office space in Singapore:

- Modified gross lease.
- Triple net lease.

The following chart reflects the typical allocation of costs in each lease category. However, the terms used may differ depending on the lease terms which are subject to negotiation in each transaction.

Type of Lease	Tenant's Payments	Landlord's Responsibility
<p>Modified Gross Lease</p> <p>This is the most common type of lease where the tenant rents a unit or multiple units in an office building.</p>	<ul style="list-style-type: none"> • Base Rent • Service Charge (for services and maintenance provided by landlord) • Utility and Maintenance • Season Carpark (if applicable) • Insurance (this is in addition to and despite the landlord's own insurance which it typically takes jointly with the tenant) (See Insurance) • Additional Property Tax (the landlord usually bears the base property tax, and anything in excess is borne by the tenant) 	<p>All other operating expenses</p>
<p>Triple Net Lease</p>	<ul style="list-style-type: none"> • Base Rent • Service Charge (for services and maintenance provided by landlord) • Utility and Maintenance • Insurance (this is in addition to and despite the landlord's own insurance which it typically takes jointly with the tenant) (see Insurance) • Property Tax • Building maintenance, operating, and repair costs 	<p>Subject to negotiation</p>

Insurance

The tenant is usually responsible for keeping the leased premises in good repair. For the duration of the lease term, tenants are expected to maintain a public liability insurance policy with a reputable insurer in Singapore covering personal injury, death, property damage, or any form of loss arising out of any and all operations of the tenant on the premises. Tenants must also insure all furniture, fixtures, and fittings of their office against risk and damage. If renovations to the office are carried out, tenants must also take out a Fire and Special Perils insurance policy for the duration of such works.

The landlord usually takes out insurance against damage by fire and similar risks, as well as a public liability insurance policy jointly with the tenant. If the tenant has an existing group insurance policy, it may add the landlord as an additional insured party in its policy. If not, the landlord and tenant may jointly take up the relevant insurance policy.

Due Diligence

The scope of due diligence a potential tenant conducts before signing a lease can vary depending on:

- The property's ownership structure.
- The size of the premises.
- The amount the tenant plans to invest in improvements to the space.

Due diligence is typically conducted after the LOI is signed but before signing the lease. This allows the landlord to address any issues or concerns raised by the tenant and the tenant to negotiate protective provisions in the lease.

Legal Due Diligence

Legal due diligence involves mainly a review of:

- A title search (see [Title Search](#) and [Lot Base Search](#)).
- Tenancies and licences.
- Building and maintenance contracts.
- Electricity contracts.
- Legal requisition replies received from various government authorities relating to the property (see [Legal Requisitions](#)).

Title Search

Most land in Singapore is under the Torrens system and governed by the [Land Titles Act 1993](#) (LTA). A party can prove a title to LTA land by registering an instrument in the [Land Titles Register](#) (LTR), the official land record registry in Singapore managed by the [Singapore Land Authority](#) (SLA). There is a State guarantee of title for land registered in the Land Titles Register. Title insurance is available but not commonly used in Singapore.

The Land Titles Register is available to the public and any person can conduct title searches for a fee starting from SGD15.95. The tenant's solicitor should order a title search on the address of the commercial space to be leased. Land title searches can be carried out online at the Integrated Land Information Service (INLIS) or manually at the SLA.

The land register for each parcel of land contains:

- A description of the land.
- The nature of the estate, for example, freehold or leasehold.
- The identity and address of the owner.
- Particulars of other interests affecting the land, including mortgages, reversionary interests, easements, charges, and restrictive covenants.

A title search summarises all instruments recorded against the commercial property and allows the tenant to:

- Confirm the landlord owns the fee title interest (or head leasehold interest, if applicable) to the real property the building is located on.
- Assess if the lease will be subject to terms, covenants, conditions, and restrictions (CC&R) or easements of record that can affect the tenant's operations at the building.
- Determine if there are any third parties with interests that are superior to the lease, such as mortgage lenders or head lessors, and whether the consent or approval from these third parties is required for the tenant to lease the premises.

State Leases

For leases in buildings located on State land, the tenant should check whether its lease complies with the corresponding State lease. For example, JTC only allows subletting on a case-by-case basis. JTC tenants are not allowed to sublet any of their space, except to related businesses or subject to certain conditions, or both. Some of these conditions include requiring the JTC tenants not to sublet more than 30% of the overall gross floor area to related businesses. Related businesses are defined as those undertaking a related business to the JTC tenant's operations, in which the JTC tenant holds more than 50% of their related business's shareholding, or vice versa.

Therefore, if the commercial space is situated on State land, the tenant should ensure that JTC approval is obtained and that its tenancy complies with the JTC head lease.

Lot Base Search

The tenant's solicitor may also conduct a lot base search in the Lot Base System (LBS) on the parcel of land on which the office building is situated. A lot base search reveals the following information:

- Particulars of the land lot, such as:
 - the tenure;
 - area;
 - property address; and
 - reference to records of land transactions.
- Land lot number.
- State title.
- Certificate of title.
- Lot history (which traces the history of the subdivision and amalgamation of the lot).

Legal Requisitions

A legal requisition is a search that provides information on the latest planning decision and the current Master Plan zoning for a property. The tenant's solicitor usually orders legal requisitions on the office building which is then sent to the following nine government and statutory agencies:

- [PUB \(Water Reclamation Network\)](#) Department for sewage and drainage.
- [Land Transport Authority \(LTA\) \(Survey and Lands Department\)](#) for MRT (Mass Rapid Transit) works.
- LTA (Survey and Lands Department) for street works.
- LTA for Road Line Plan.
- [Building Control Authority](#) for alterations or additions made to the property.
- [National Environment Agency](#) (Environmental Health Department) for any outstanding issues regarding mosquito breeding, drain blockage, and so on.
- National Environment Agency (Central Building Planning Unit) if the property is affected by the current drainage scheme.

- [Inland Revenue Authority of Singapore](#) for any outstanding property tax.
- [URA \(Urban Redevelopment Authority\)](#) for the master plan on zoning and any decision on proposals to develop the site.

Based on the legal requisitions, the tenant can determine the following:

- Whether there are any adverse findings, plans, or any zoning changes that currently affect the property.
- Whether there are any adverse findings, upcoming plans, or potential zoning changes that may potentially affect the property.
- The URA Master Plan Zoning for the property which governs how a property may be used and configured. The tenant should ensure the zoning permits the tenant's intended use of the commercial space.
- Whether a Certificate of Statutory Completion (CSC) or a Temporary Occupation Permit (TOP) has been granted in respect of the building. This is evidence of the building being suitable for occupancy and compliant with State and building laws and regulations. After the CSC is issued, new or amended certificates may be required if there are significant alterations to the property or changes in the use.

Restrictions on Leasing by Foreign Tenants

There are generally no restrictions on leasing by foreign tenants. However, depending on the nature of the tenant's business, the lease may be conditional on the tenant obtaining and maintaining the requisite licence, permit, or approval from the relevant governmental authority. For example, if the foreign tenant is a banking or insurance company, the tenant must hold a valid licence issued by the [Monetary Authority of Singapore \(MAS\)](#) to carry out its operations and the lease may be subject to other conditions imposed by the MAS or other governmental authority.

Foreign tenants may also be subject to due diligence checks which a leasing agent must conduct in accordance with the leasing agent's duties in the [Estate Agents \(Prevention of Money Laundering and Financing of Terrorism\) Regulations 2021](#) prescribed by the CEA.

Technical and Financial Due Diligence

Technical Due Diligence

A physical or technical due diligence conducted by the tenant's technical team typically involves obtaining and reviewing:

- A survey of the title boundaries.
- Gross floor area of the property.
- Encroachments.

- Unauthorised works.
- Building and engineering investigations and presence.
- Physical condition of the premises.
- Repair and maintenance of plant.
- Equipment included in the lease.

A tenant can engage an engineering consultant to inspect the building and the systems serving the premises, including:

- Structural capacity.
- HVAC and electrical service adequacy, including the need for backup generators.
- IT and data transmission capacity.
- Health and safety matters.
- Fire suppression systems.

The engineer issues a property condition report summarising its findings, including any upgrades or modifications that may be needed to accommodate the tenant's operations in the premises or to comply with the applicable legal requirements. The results of these inspections can affect the plans and cost of building out the premises. An engineer can also advise the tenant when negotiating the HVAC and other utility specifications in the lease.

Financial Due Diligence

Depending on the scope of the landlord's financial obligations under the lease, the tenant may want to investigate the landlord's ability to comply with those obligations. For example, the tenant should confirm the landlord has sufficient funds available if it agrees to grant the tenant a renovation allowance or perform significant improvement works for the tenant.

The tenant should also review:

- The past year's operating expenses and taxes for the building so that the tenant can estimate its additional rent costs or service charges, if applicable.
- The landlord's method for measuring the premises because the size of the premises directly affects the base rent, additional rent, and renovation allowance, which are typically calculated on a per square foot basis.

Environmental Due Diligence

The Building and Construction Authority (BCA) assesses and regulates the energy performance and environmental sustainability of buildings, through legislation and codes. The [Building Control \(Environmental Sustainability\) Regulations 2008](#) regulate the energy performance of buildings in Singapore, setting minimum green mark standards for building works involving the following (where an application for planning permission is submitted on or after 15 April 2008):

- A new or existing building having a gross floor area of 2,000 square metres or more.
- Additions or extensions to existing buildings that involve increasing the gross floor area by 2,000 square metres or more.
- Building works that involve major retrofitting to existing buildings with a gross floor area of 2,000 square metres or more.

The [Code for Environmental Sustainability of Buildings](#) sets out the minimum environmental sustainability standard for buildings and administrative requirements. The Code largely adopts the BCA Green Mark criteria, consisting of the following five main components to assess the environmental performance of a building.

- Climatic responsive design.
- Building energy performance.
- Resource stewardship.
- Smart and healthy building.
- Advanced green efforts.

As of April 2019, close to 40% of all building project gross floor area in Singapore has met the green building standards, and the target is to make 80% of all buildings green by 2030.

The BCA has created green lease toolkits ([BCA: Green Schedule](#)). These include schedules (both for commercial and retail leases) providing a list of standard clauses, with specific provisions for monitoring and improving:

- Energy efficiency.
- Water efficiency.
- Outdoor and indoor air quality.
- Sustainable material.
- Waste management.

The schedules can be incorporated into a lease to require the landlord or tenant to adopt procedures to ensure the building operates to the agreed level.

While green leases remain relatively uncommon, they are expected to become more popular as the relevant government authorities continue to encourage building owners to adopt them. Major developers in Singapore such as CapitaLand and Lendlease already offer green leases to some of their tenants in their malls. The tenant should therefore check whether there are any BCA green mark or sustainability requirements imposed by the landlord on their respective leases.

It is not common in Singapore for a tenant to require a landlord to conduct an environmental due diligence on an office space to ensure that there is no hazardous substance on the premises.

JTC Leases (Industrial)

JTC, which leases out most of the industrial land in Singapore, typically imposes environmental clean-up obligations on a lessee whose use of the land is potentially pollutive. JTC can require the lessee to conduct an environmental baseline study (EBS) (to determine the extent of contamination of a particular site) and if it deems it necessary, require the lessee to carry out an environmental clean-up before the assignment of the lease. Where the lessee or licensee of the relevant JTC site transfers or assigns its lease or licence (including when it is to be used by the sublessee or sublicensee as office space), it may, if required by JTC, need to comply with the EBS requirement.

Separately, under the [Environmental Protection and Management Act 1999](#) (EPMA), the occupier of any industrial or trade premises must maintain any fuel-burning equipment and any air pollution control equipment installed in or on the premises in an efficient condition and ensure that such equipment is working in a proper and efficient manner (section 10, Environmental Protection and Management Act).

Legal Documents

Preliminary Agreements

Leasing Agency or Brokerage Agreement

The tenant may enter into an agency or brokerage agreement with the leasing agent. The agreement sets out, among other things:

- The engagement terms.
- The amount of commission fee payable to the agent.
- When the commission is due.
- Who will bear the commission (usually the landlord).

The total amount of commission is typically a percentage of the total amount of the rent due under the lease split between the two brokers (if both parties engage their own agents).

Letter of Intent (LOI)

Once the tenant has confirmed a suitable office space, the tenant (often through its leasing agent) submits the LOI to the landlord's representative. The LOI, also known as a memorandum of understanding or term sheet, is a short letter that outlines the key commercial lease terms that the tenant wishes to propose to the landlord. At this preliminary stage, NDAs are also usually signed by the prospective tenant.

Lease terms and conditions are freely negotiable in Singapore. The main statutes applicable to leases are the LTA and the [Conveyancing and Law of Property Act 1886](#) (CLPA). In land-scarce Singapore, the provisions of a typical Singapore lease of commercial premises tend to be extremely landlord-friendly, and unless the tenant has strong bargaining powers, it is difficult to amend the provisions in the tenant's favour.

The terms of the memorandum of understanding, term sheet, or LOI are generally non-binding, except for the provisions relating to exclusivity, confidentiality, and governing law.

Primary Documents

The Lease Agreement

After the main terms and conditions are agreed by both parties, the landlord may issue a Letter of Offer (LOO) together with a copy of the lease agreement, detailing all terms and conditions of the lease. Both documents are legally binding on acceptance.

The lease includes the material terms set out in the LOO, with additional detail and other customary provisions such as the parties' covenants, liabilities, insurance, reinstatement requirements at the end of the lease, and termination provisions. The landlord's counsel typically prepares the initial lease draft and the tenant's counsel marks up the lease with its comments and objections. The parties can participate in multiple rounds of negotiation and lease drafts, depending on the scope and complexity of the transaction.

Security Documents

If the landlord has concerns about a tenant's ability to satisfy its lease obligations, it often requests the tenant to furnish additional security. The security can be in the form of a banker's guarantee from a creditworthy and reputable financial institution or a guarantee from the parent entity of the tenant. The landlord is likely to require a guarantee if the tenant is either:

- A shell entity with no assets other than the lease and assets used in the premises.
- Unable to provide a cash security deposit and wishes to provide an alternative form of deposit.

A cash security deposit is refundable and held by the landlord as a guarantee for the tenant to fulfil its lease obligations until the date the tenant vacates and surrenders the leased premises. The landlord can require the tenant to replenish the security deposit from time to time if it is utilised or the rent is revised.

Handover Condition or Reinstatement Schedule

A handover condition or reinstatement schedule is an operational document attached to the lease as an exhibit specifying:

- The state and condition of the premises at the time of handover from the landlord to the tenant.
- The leased premises are to be reinstated to the landlord when the tenant vacates and surrenders the premises.

Fitting-Out or Renovation Schedule

Fitting-out works means such fitting-out or other works as the tenant may require for the use and enjoyment of the premises immediately upon taking over possession of the leased premises. The tenant is usually responsible for its fitting-out works. However, in a depressed leasing market, the tenant may add a condition that the landlord covers the costs of the tenant's fitting-out works. A fitting-out or renovation schedule can be submitted by the tenant and must be approved by the landlord. Depending on the area leased, the building management usually has some fitting-out procedures in place. It is typically attached to the lease as an exhibit.

If fitting-out works are done, the landlord or building management will require a fitting-out deposit. The fitting-out deposit is refunded when the renovation works is complete if there is no damage done or no waste materials left behind and the common areas are in the same condition as before any fitting-out or renovation work was done.

Executing the Lease

Preparing for Lease Execution

Before executing the lease, the tenant and its solicitor should confirm that:

- The final lease agreement and ancillary lease documents reflect the agreed terms.
- All exhibits to the lease and ancillary documents are complete, accurate, and attached to the applicable document.
- Any third-party consents required for the lease, such as the head lessor or mortgage lender consent, have been obtained. In the case of a mortgage lender, the lease that is entered into may be subject to the mortgage lender's interest.
- The tenant has in force all necessary internal approvals.
- The tenant signature block is correct and the person signing the lease is authorised to do so.
- The tenant's lease agent has signed the agency agreement or co-broker agreement or both.
- The tenant is prepared to deliver the security deposit to the landlord. If the security deposit is in the form of a banker's guarantee, the tenant should ensure that:

- the issuing bank is acceptable to the landlord; and
- the form of the banker's guarantee complies with the lease requirements.

Lease Execution

A lease must be executed by both the landlord and the tenant, and generally does not need to be executed as a deed (but see [Lease Registration](#)). Under Singapore law, the signing of a lease agreement need not be witnessed. However, it is a common practice for a lease agreement to require a witness for each signing party for evidentiary purposes in the event of any dispute as to the signing of the lease. The ancillary lease documents may require the signature of both or either the landlord and the tenant, and occasionally third parties such as the mortgage lender or the respective trustee or guarantor of the parties. After the lease is executed, it must be stamped (see [Taxes Payable on Leases](#)).

Formalities

Under section 6(d) of the [Civil Law Act 1909](#) (CLA), contracts for the sale or disposition of immovable property or any interest in immovable property must be **in writing and signed**. The same principles applicable to the execution of contracts by a company, partnership, and individual apply to the execution of a lease. Generally, if the tenant is a company, it can enter into a contract either:

- By execution through a director acting under the company's authority, in accordance with its constitution or a resolution of the board of directors.
- In accordance with the requirements set out in section 41B of the [Companies Act 1967](#) if it is executed as a deed.

Taxes Payable on Leases

Rates and Computation of Stamp Duty

After the execution of the lease, the tenant must pay stamp duty on the signed document to the Inland Revenue Authority of Singapore (IRAS) (First Schedule, Stamp Duties Act 1929). Stamp duty is a tax on commercial and legal documents, which records and gives effect to the transaction.

Stamp duty for leases involving a fixed rental throughout the rental period is computed based on the average annual rent (AAR). The AAR is the higher of the average annual lease rent or the annual market rent. It includes other factors such as charges for advertising and promotion, furniture and fittings, maintenance and service, and any other charges.

Average Annual Rent (AAR)	Lease Duty Rates
AAR does not exceed SGD1,000	Exempted
AAR exceeds SGD1,000:	

<ul style="list-style-type: none"> Lease period of four years or less 	0.4% of total rent for the period of the lease
<ul style="list-style-type: none"> Lease period of more than four years or for any indefinite term 	0.4% of four times the AAR for the period of the lease

Lease duty is rounded down to the nearest dollar, subject to a minimum duty of SGD1.

The stamp duty must be paid within 14 days from the date of execution if the lease document is signed in Singapore, or within 30 days of its receipt in Singapore if the document is signed overseas (section 46, Stamp Duties Act).

Goods and Services Tax

The sale and lease of non-residential properties (for example, office space) are subject to Goods and Services Tax (GST), which is known as Value Added Tax or VAT in other countries.

GST is a consumption tax levied on all supplies of goods and services in Singapore. If the landlord is registered for GST, it must charge GST on goods and services when it lets out the office space. The prevailing GST rate in Singapore is 7% (2022), which will be increased to 8% with effect from 1 January 2023 and subsequently to 9% with effect from 1 January 2024.

Lease Registration

The formalities that apply to registering leases in Singapore differ depending on whether the leased premises are registered or unregistered.

Where registered land is concerned (that is, property under the Torrens system and governed by the LTA), leases with a duration of over seven years may be registered with the LTR (section 87, LTA). Generally, if a lease of more than seven years is not registered in the prescribed form, it is ineffective to pass any estate or interest in the land under the LTA, but it may still take effect in equity.

Where unregistered land is concerned, a lease with a duration of over seven years must be established by deed in the English language (section 53, CLPA). If this requirement is not met, the lease becomes an equitable lease, which has weaker interests with regard to enforceability as compared to a legal registered lease. For example, legal interests bind all third parties, whereas equitable interests are only binding on third parties who are not bona fide purchasers for value of the property without notice of the equitable interests.

Tenant Lease Negotiations

A tenant's ability to effectively negotiate the lease depends on several factors, including:

- The state of the rental market.
- The tenant's creditworthiness.

- The size of the premises in relation to the building size.

Below is a brief overview of some of the key lease provisions for an office tenant (the actual lease will include additional provisions and terms may differ depending on the specifics of the transaction):

- **Base rent, service charge, and other additional rent.** Rent is usually quoted as gross rent in Singapore dollar per square feet per calendar month (SGDpsf/month) comprised of base rent plus service charge. Service charge is for centralised air-conditioning expenses during office hours, maintenance, and security of the common area and other building expenses. This charge may be subject to adjustments if there are changes in maintenance costs.

These amounts represent most of the tenant's ongoing financial obligations under the lease. Base Rent is typically calculated on a per square foot basis. Additional rent can be charged based on the tenant's usage, a per square foot charge, or the tenant's proportionate share, depending on the type of expense and type of lease. Typically, tenants are asked to pay rent on a monthly basis and it is subject to Goods and Services Tax (GST).

- **Permitted use.** The permitted use clause affects the tenant's flexibility in how it uses the premises and its ability to assign the lease or sublet the premises.
- **Rent free period.** Rent free periods occur during the lease period whereby the tenant is not required to pay rental for the occupation of the premises.
- **Lease commencement date.** Lease commencement date is the agreed date when the tenant starts paying rent. Rent payments are ongoing monthly or quarterly for the duration of the lease, unless otherwise stated.
- **Possession date.** Possession date is the agreed date between the landlord and tenant for the tenant to take possession of the property. It is usually one to three months before the lease commencement date, depending on the size of the unit leased. The period between the possession date and the lease commencement date is often referred to as the fitting-out period.
- **Fitting-out period.** Fitting-out period is the period between the possession date and the lease commencement date for the tenant to renovate the new premises. Depending on the size of the premises and the prevailing market conditions, the period can range from two weeks to three months. Most landlords waive the payment of the service charge during this period although there may be exceptions.
- **Security deposit.** Most landlords require the tenant to provide a security deposit, either in cash or a guarantee (as an alternative to cash) from a creditworthy parent or financial institution. A security deposit equivalent to three to six months' gross rent is usually payable upon execution of the lease (one month of which deposit is paid earlier upon acceptance of the Letter of Offer) and it is refundable (without interest) at the end of the lease. The amount depends on the tenant's financial standing or paid-up capital.
- **Fitting-Out or Renovation deposit.** If there are fitting-out or renovation works to be done, the tenant is required to place a renovation deposit with the landlord to cover any damages caused to the common

areas during the renovation period. It is typically SGD10,000 or SGD1 per square foot, whichever is higher. This deposit is refunded after the landlord inspects the renovation.

- **Assignment and subletting.** Assignment and subletting provisions restrict or limit the tenant's right to assign the lease or sublet the premises and are typically heavily negotiated. These rights affect the tenant's ability to transfer its lease interest, an important exit strategy if the tenant no longer needs all or part of the premises.
- **Option to renew.** The tenant may be granted an option to renew the lease for a further period, usually at an agreed rent or according to the prevailing market rent, unless a rent cap has been mutually agreed in the lease.
- **Holding over.** If the tenant continues to occupy the premises after the determination or expiry of the lease, double rent will usually be chargeable for the period of holding over, at the discretion of the landlord, until the tenant gives up possession of the premises.
- **Repairs and maintenance.** The scope of each party's responsibility to repair and maintain portions of the premises and the building, and to pay the related costs, is another important component of the tenant's financial obligations under the lease. The tenant should ensure it has adequate remedies for the landlord's failure to comply with its repair obligations.

Important Questions to Ask Your Leasing Lawyer

- Are there any transfer or other taxes payable on the creation or assignment of a lease?
- Are there any legal restrictions limiting the maximum term of the lease (including renewals)?
- Are there any restrictions on rent that may be charged under the lease?
- Are there any laws permitting the tenant to terminate its lease before the stated expiration date?
- Are there any laws allowing the tenant to assign or sublease without the landlord's consent?
- Are there any laws allowing the landlord to restrict assignments or subleases by the tenant?
- What is the common form of eviction proceeding and what is the customary length of time for that proceeding?
- Are there any legal restrictions against the tenant mortgaging or pledging its leasehold interest as security for a financing?

- Are there any requirements for the landlord to hold security deposits in separate accounts and, if these requirements exist, can there be one separate account for all tenant security deposits or must each security deposit be held in its own separate account?
- Are there any required statutory or other legal disclosures to be made to all tenants?
- Are there any taxes on rent or other taxes that the landlord:
 - must collect from the tenants; or
 - typically collects from the tenants?
- Are there any limitations on the ability of the landlord or tenant to exercise self-help?
- Must remedies such as acceleration of rent be expressly stated or are they implied?
- Are there any expedited remedies if the tenant defaults and what lease provisions would be required for the landlord to seek expedited remedies?
- Are there any formal requirements for the execution of a lease?
- Must a memorandum of lease, or other document, be registered for the lease to be enforceable by the parties or against third parties?