

NAMIBIA

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Broll Tenant Handbook

2014



PART OF THE CBRE AFFILIATE NETWORK

CBRE

INTRODUCTION

Because we understand how busy you are, we have put together this tenant handbook packed with quick snapshot information on what to expect when renting commercial property.

The information in this handbook has been prepared in consultation with our commercial property experts on what the common industrial, office and retail sector rental markets are like.

Expect to find useful information on what the lease term periods are, who is responsible for tenant fit-out, how lease renewals and agreements work, what you can expect from the landlord as a tenant as well as what your responsibilities are as a tenant among other things.

Disclaimer: All care has been taken in the preparation of this document and the information contained herein has been derived from sources believed to be accurate and reliable. Broll Property Group (Pty) Ltd will accept no responsibility for any error, action or omission, any opinion expressed or any investment decisions made and/or based on this information. Information contained herein may in some cases relate to Broll managed buildings only.

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NAMIBIA

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COUNTRY FACTS

Capital City	Windhoek
Population	2.3 million (2014 estimate)
Unemployment	27.4% (2012)
GDP	4.2% (2013)
GDP per capita	US\$5,482
Inflation rate	5.4% (August 2014)
Interest rate	6% (August 2014)
Corporate tax	33% (January 2014)
Sales tax	15% (January 2014)
Currency	Dollar (N\$)
Business language	English/German
Ease of doing business	98 out of 186 countries
Global competitiveness	88 out of 144 countries

COMMON PRACTICE



OFFICE

Term	3-5 years
Break clause	Not an option
Renewal	Negotiable
Rent basis	Net + operating costs
Rent free period	Allowed for fit-out purposes, normally 30 days, however, utilities are payable during this period
Escalation	8-10% p.a.
Deposit	1-2 months' rent
Fit-out	Tenant's responsibility, if agreed an allowance or contribution is given by the landlord
Right to sublet	Allowed only with the landlord's prior written consent
Brokerage	Landlord usually pays
Legal fees	Payable by both landlord and tenant, each responsible for own legal fees
Transparency	Limited market data



INDUSTRIAL

Term	3 years
Break clause	Not an option
Renewal	Negotiable
Rent basis	Net + operating costs
Rent free period	Allowed, some landlords only give 15 days whereas others give 30 days, however, utilities are payable in this period
Escalation	8-10% p.a.
Deposit	1-2 months' rent
Fit-out	Tenant's responsibility, if agreed an allowance or contribution is given by the landlord although not common
Right to sublet	Allowed only with the landlord's prior written consent
Brokerage	Landlord usually pays
Legal fees	Payable by both landlord and tenant, each responsible for own legal fees
Transparency	Limited market data



RETAIL

Term	3-5 years
Break clause	Not an option
Renewal	Negotiable
Rent basis	Net + operating costs
Rent free period	Allowed for fit-out purposes, normally 30-60 days, however, utilities are payable during this period
Escalation	8-10% p.a.

Deposit	1-2 months' rent
Fit-out	Tenant's responsibility, if agreed an allowance or contribution is given by the landlord
Right to sublet	Allowed only with the landlord's prior written consent
Brokerage	Landlord usually pays
Legal fees	Payable by both landlord and tenant, each responsible for own legal fees
Transparency	Limited market data



LEASE AGREEMENTS

Term	Leases are typically 3-5 years with fixed rentals escalating annually.
Break clause	Terminations or breaks are not an option in lease agreements.
Renewal	Renewals are negotiable. If no option has been given, the landlord has the final say with regards to renewing, if the tenant is in breach, the landlord will not renew, but if a renewal takes place this will be at an agreed market rental rate. An offer to renew is sent 6 months before the time reflecting an increased rental.
Right to sublet	Subletting is allowed only with the landlord's prior written consent.
Option to expand & right of first refusal	This is negotiable.
Late delivery by landlord	Should the delivery date be held up by the landlord, prior written notification must be provided to the tenant and new occupation dates must be agreed upon. No penalties will be awarded to the tenant.
Holdover by tenant	Holdover by tenants depends on the conditions stipulated in the lease agreement.
Signage and naming of building	Signage is allowed with approval of the landlord's architect. Naming rights would only be considered if the tenant takes a substantial component of the gross lettable area, however this will remain subject to the landlord's approval.
Standard lease	<p>Each landlord has their own standard lease agreement. Rental levels and terms are usually negotiated as part of the lease.</p> <p>Lease fees, also known as admin fees, are payable for leases set up by the landlord. This amount varies per landlord and is payable by the tenant.</p>
Laws and practices	Lease agreements are governed within the legal frameworks of Namibian property law and law of contracts. While this legislation provides a base and framework for leases, parties negotiate the terms of the lease agreement in an open market format between willing landlord and willing tenant.

SPACE MEASUREMENT

Measurement	Areas quoted in square metres (m ²).
Definition	<p>Rentable area</p> <p>Generally measured according to the definition as set out in the South African Property Owners Association (Sapoa) Method of Measuring Floor Areas in Commercial and Industrial Buildings. <i>Essentially, this covers the entire floor, excluding major vertical penetrations of the floor such as stairs, lift shafts, flues, pipe shafts and vertical ducts which serve more than one floor of the building. It includes additional services such as stairs, dumbwaiters and lifts which exclusively serve a tenant occupying offices on more than one floor.</i></p>

OCCUPATION COSTS

Rent	<p>Rent basis</p> <p>Net rental, operating costs, utility costs / recoveries and marketing costs are charged separately unless otherwise agreed.</p> <p>Parking</p> <p>Parking is an additional cost payable by the tenant and this is a fixed rental per bay per month.</p> <p>Rents quoted</p> <p>Rents are quoted in Namibian Dollars (N\$)/m²/month.</p> <p>Rents payable</p> <p>All rentals are exclusive of VAT payable (15%) and are paid monthly in advance.</p> <p>Rent free period</p> <p>Rent free periods are allowed for fit-out purposes, normally 30 days, however, utilities are payable during that period.</p> <p>Rent escalation</p> <p>Rental escalations occur annually and are normally between 8 -10%.</p>
Operating costs	<p>Operating costs are charged separately from rental. Operating costs cover all landlord expenditure to operate the building i.e. including but not limited to maintenance, cleaning, insurance and security.</p>

Taxes	Assessment rates and waste management are property taxes stipulated by the relevant local authority, and are payable by all tenants on a pro-rata basis in relation to the tenant's rented area.
Utilities	Water and electricity are usually separately metered in most cases or recovered according to percentage of rented area.
Fit-out	Most tenants receive a "white box" and are responsible for their own fit-outs. The landlord ensures that the air-conditioning, flooring, walls are all clean and painted. If agreed upfront, an allowance or contribution is given by the landlord.
Restoration	The tenant has to restore the premises occupied to its original form and state upon vacating the premises.
Deposits and/or guarantees	One to two months' gross rental.
Parking	Parking is payable by the tenant and this is a fixed rental per bay per month. Operating costs are not included in parking rentals. Generally a ratio of 3 bays per 100m ² of office space could be provided.
Other occupancy costs	Stamp duty is usually paid by the tenant unless otherwise agreed, in the case of national tenants, the landlord might agree to pay a certain percentage.

TRANSACTION COSTS

Brokerage	<p>Brokerage commission is always negotiable, some brokers will accept one month's rent whereas others will use South Africa's general accepted tariff structure, thus commission is negotiable.</p> <p>New leases Broker commission is usually payable by the landlord and is negotiated between the leasing/sales agent and the landlord.</p> <p>Renewals Brokerage commission for renewals works in the same manner as brokerage commission for new leases, i.e. commission is negotiable and is usually payable by the landlord.</p>
Legal fees	Legal fees if any incurred, are payable by both the tenant and the landlord and each is responsible for own legal fees.

GENERAL LEASING MARKET

Transparency	Limited market information is available.
Building classification	<p>Accepted market classifications which Broll Namibia uses are as follows:</p> <p>A-grade New buildings with modern finishes, air-conditioning, parking availability and located in a good area.</p> <p>B-grade Older buildings with standard finishes and air-conditioning with limited on-site parking.</p> <p>C-grade Old style buildings and finishes, some may have air-conditioning and some may have parking.</p>



LEASE AGREEMENTS

Term	Leases are typically 3 years with fixed rentals escalating annually.
Break clause	Terminations or breaks are not an option in lease agreements.
Renewal	Renewals are negotiable. If no option has been given the landlord has the final say with regards to renewing, if the tenant is in breach, the landlord will not renew, but if a renewal takes place this will be at an agreed market rental rate.
Right to sublet	Subletting is allowed only with the landlord's written consent.
Option to expand & right of first refusal	This is negotiable.
Late delivery by landlord	Should delivery date be held up by the landlord, prior written notification must be provided to the tenant and new occupation dates must be agreed upon. No penalties will be awarded to the tenant.

Holdover by tenant	Holdover by tenants depends on the conditions stipulated in the lease agreement.
Signage and naming of building	Signage is allowed with approval of the landlord's architect. Naming rights would only be considered if the tenant takes a substantial component of the gross lettable area. This is however subject to landlord's approval.
Standard lease	Each landlord has their own standard lease agreement. Rental levels and terms are usually negotiated as part of the lease.
Laws and practices	Lease agreements are governed within the legal frameworks of Namibian property law and law of contracts. While this legislation provides a base and framework for leases, parties negotiate the terms of the lease agreement in an open market format between willing landlord and willing tenant.

SPACE MEASUREMENT

Measurement	Areas quoted in square metres (m ²).
Definition	Generally measured according to the definition as set out in the Sapoia Method of Measuring Floor Areas in Commercial and Industrial Buildings. <i>Essentially, this covers the entire floor, excluding major vertical penetrations of the floor such as stairs, lift shafts, flues, pipe shafts and vertical ducts which serve more than one floor of the building. It includes additional services such as stairs, dumbwaiters and lifts which exclusively serve a tenant occupying offices on more than one floor.</i>

OCCUPATION COSTS

Rent	<p>Rent basis Net rental, operating costs, utility costs / recoveries and marketing costs are charged separately unless otherwise agreed.</p> <p>Parking Parking is normally included in the net rental.</p> <p>Rents quoted Rents are quoted in Namibian Dollars (N\$)/m²/month.</p> <p>Rents payable All rentals are exclusive of VAT (15%) and are paid monthly in advance.</p>
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Rent	<p>Rent free period Rent free periods are allowed, some landlords only give 15 days, whereas others give 30 days, however, utilities are payable in that period and terms will be dependent on the landlord.</p> <p>Rent escalation Escalations are annually and are normally between 8 -10%.</p>
Operating costs	Operating costs are charged separately from rental. Operating costs cover all landlord expenditure to operate the building i.e. but not limited to maintenance, cleaning, insurance and security.
Taxes	Assessment rates and waste management are property taxes stipulated by the relevant local authority, and are payable by all tenants on a pro-rata basis in relation to the tenant's rented area.
Utilities	Water and electricity are separately metered in most cases or recovered according to percentage of area rented.
Fit-out	Most tenants receive a "white box" and are responsible for their own fit outs. The landlord ensures that the air conditions, flooring, walls are all clean and painted. If agreed upfront an allowance or contribution is given by the landlord, however this does not happen often.
Restoration	The tenant has to restore the premises occupied to its original form and state upon vacating the premises.
Deposits and/or guarantees	One month's gross rental.
Parking	Normally parking is included in the base rental.
Other occupancy costs	Stamp duty is usually paid by the tenant unless otherwise agreed.

TRANSACTION COSTS

Brokerage	Brokerage commission is always negotiable, some brokers will accept one month's rent whereas others will use South Africa's general accepted tariff structure, thus commission is negotiable.
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Brokerage	<p>New leases Broker commission is usually payable by the landlord and is negotiated between the leasing/sales agent and the landlord.</p> <p>Renewals Renewals commission is usually payable to the managing agent.</p>
Legal fees	Legal fees if any incurred, are payable by both the tenant and the landlord and each is responsible for own legal fees.

GENERAL LEASING MARKET

Transparency	Limited market information is available.
Building classification	<p>Accepted market classifications used by Broll Namibia are as follows:</p> <p>A-grade New buildings with modern finishes and parking availability which are located in good Industrial areas, some of the buildings have office spaces within, mezzanine floors and big yard areas.</p> <p>B-grade Old buildings with standard finishes and air conditioning with limited parking on-site.</p> <p>C-grade Old style buildings and finishes, most without air conditioning and some may have parking.</p>



LEASE AGREEMENTS

Term	Leases are typically 3-5 years with fixed rentals escalating annually.
Break clause	Terminations or breaks are not an option in lease agreements.

Renewal	Renewals are negotiable. If no option has been given in the lease agreement the landlord has the final say with regards to renewing, if the tenant is in breach (e.g. rental arrears), the landlord will not renew, but if a renewal takes place this will be at an agreed market rental rate. An offer to renew the lease is sent 6 months before the lease expiry in order to allow the tenant to suggest amendments, additionally the offer sent reflects the increased rental amount and other terms of the agreement.
Right to sublet	Subletting is allowed only with the landlord's written consent.
Option to expand & right of first refusal	Options to expand and rights of first refusal are negotiable.
Late delivery by landlord	Should delivery date be held up by the landlord, prior written notification must be provided to the tenant and new occupation dates must be agreed upon. No penalties will be awarded to the tenant.
Holdover by tenant	Holdover by tenants depends on the conditions stipulated in the lease agreement.
Signage and naming of building	Signage is allowed with approval of the landlords' architect. Naming rights would be considered if the tenant takes a substantial component of the gross lettable area and this is subject to the landlord's approval.
Standard lease	Each landlord has their own standard lease agreement. Rental levels and terms are usually negotiated as part of any lease transaction.
Laws and practices	Lease agreements are governed within the legal frameworks of Namibian property law and law of contracts. While this legislation provides a base and framework for leases, parties negotiate the terms of the lease agreement in an open market format between willing landlord and willing tenant.

SPACE MEASUREMENT

Measurement	Areas quoted in square metres (m²).
Definition	<p>Rentable area</p> <p>Generally measured according to the definition as set out in the Sapoia Method of Measuring Floor Areas in Commercial and Industrial Buildings. <i>Essentially, this covers the entire floor, excluding major vertical penetrations of the floor such as stairs, lift shafts, flues, pipe shafts and vertical ducts which serve more than one floor of the building. It includes additional services such as stairs, dumbwaiters and lifts which exclusively serve a tenant occupying offices on more than one floor.</i></p>

OCCUPATION COSTS

Rent	<p>Rent basis Net rental, operating costs, utility costs / recoveries and marketing costs are charged separately unless otherwise agreed.</p> <p>Parking Parking is an additional cost payable by the tenant and this is fixed rental per bay per month.</p> <p>Rents quoted Rents are quoted in Namibian Dollars (N\$)/m²/month.</p> <p>Rents payable All rentals are exclusive of VAT (15%) and are paid monthly in advance.</p> <p>Rent free periods Rent free periods for fit-out purposes are allowed, normally 30 – 60 days, however utilities are payable in that period.</p> <p>Rent escalation Escalations are annually and are normally between 8 -10%.</p>
Operating costs	Operating costs are charged separately from rental. Operating costs cover all landlord expenditure to operate the building i.e. but not limited to maintenance, cleaning, insurance and security.
Taxes	Assessment rates and waste management are property taxes stipulated by the relevant local authority, and are payable by all tenants on a pro-rata basis in relation to the tenant's rented area.
Utilities	Water and electricity are separately metered in most cases or recovered according to percentage of rented area.
Fit-out	Most tenants receive a 'white box' and are responsible for their own fit-outs. The landlord ensures that the air-conditioning, flooring walls are all clean and painted. If agreed upfront, an allowance or contribution is given by the landlord.
Restoration	The tenant has to restore the premises occupied to its original form and state upon vacating the premises.
Deposits and/or guarantees	One to two month's gross rental.

Parking	Parking is charged separately at a fixed rental per bay per month.
Other occupancy costs	Stamp duty is usually paid by the tenant unless otherwise agreed.

TRANSACTION COSTS

Brokerage	<p>Brokerage commission is always negotiable, some brokers will accept one month's rent whereas others will use South Africa's general accepted tariff structure, thus commission is negotiable.</p> <p>New leases Broker commission is usually payable by the landlord and is negotiated between the leasing/sales agent and the landlord.</p> <p>Renewals Renewals commission is usually payable to the managing agent.</p>
Legal fees	Legal fees if any incurred, are payable by both the tenant and the landlord and each is responsible for their own legal fees.

GENERAL LEASING MARKET

Transparency	Limited market information is available.
Building classification	<p>Formal classifications are not prevalent, however market accepted classifications which Broll Namibia uses are as follows:</p> <p>A-grade Could be referred to as super regional malls, they exceed 85,000m² with two or three department stores, located in a good area with national tenants.</p> <p>B-grade Defined as regional centres with old type buildings with up to standard finishes and air- conditioning. Parking is limited and the centres measure between 30,000m² - 50,000m².</p> <p>C-grade Convenient type buildings with old finishes and some may have air-conditioning and may have parking facilities.</p>

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