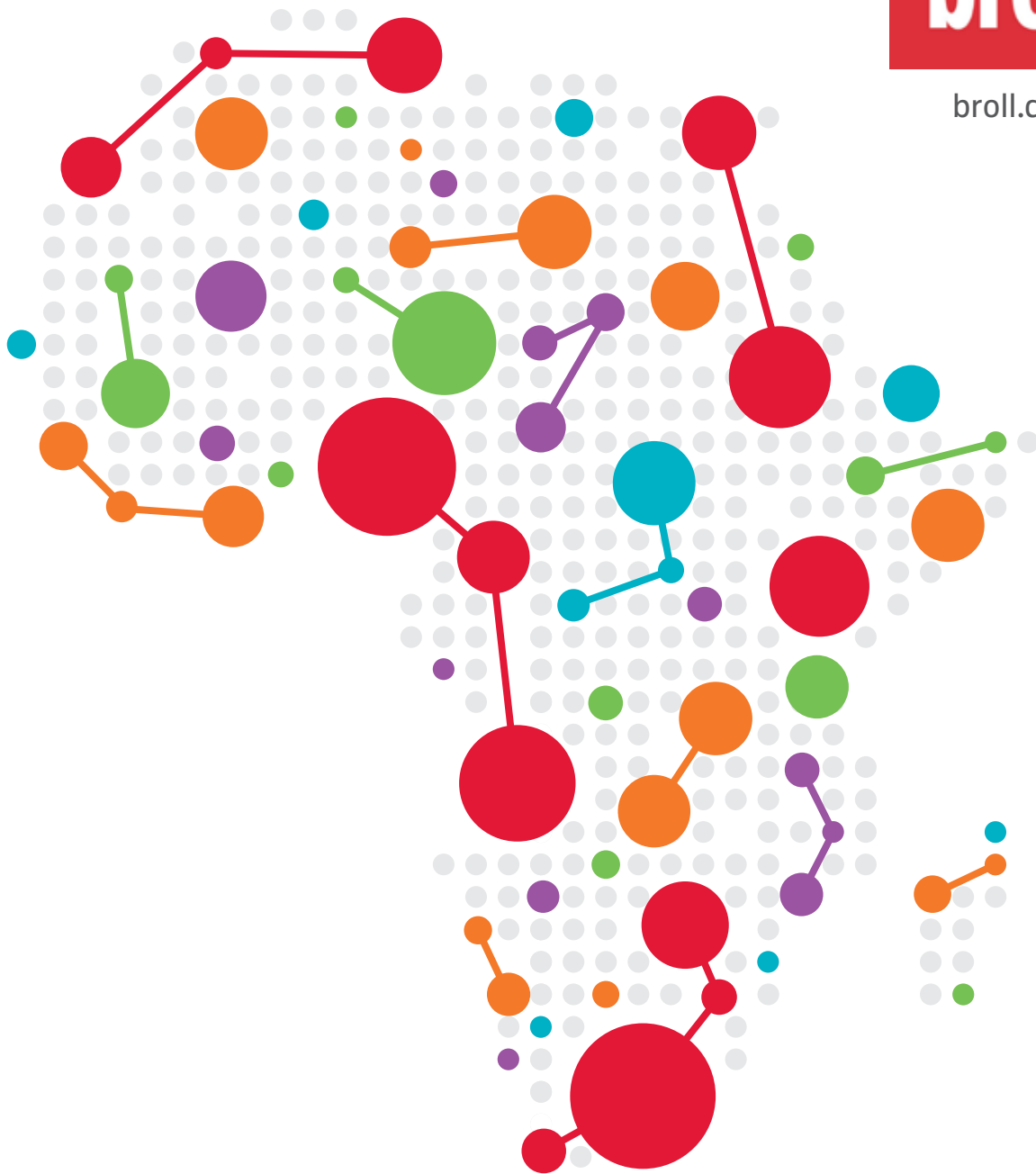


Broll Tenant Handbook

2014



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CBRE

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INTRODUCTION

Broll understands how busy you are and we have put together this tenant handbook packed with quick snapshot information on what to expect when renting commercial property in some Africa countries.

We looked at the industrial, office and retail sectors in Ghana, Kenya, Madagascar, Malawi, Mauritius, Namibia, Nigeria, Rwanda, South Africa and Zambia where Broll has established offices.

The information in this handbook has been prepared in consultation with our commercial property experts in each respective country.

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 to expect from landlords and what tenants' responsibilities are 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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GHANA

Broll Office: 7th Floor, Ridge Tower,
6th Avenue, Ridge, Accra

Tel: +233 (0) 302 672 888

Website: www.brollghana.com

Chief Executive Officer: Kofi Ampong

Email: kamong@brollghana.com



COUNTRY FACTS

Capital City	Accra
Population	27 million (2014 estimate)
Unemployment	16.7% (2014 estimate)
GDP	6.7% (Q1:2014)
GDP per capita	US\$766
Inflation rate	15.9% (August 2014)
Interest rate	18% (February 2014)
Corporate tax	25% (January 2014)
Sales tax	15%
Currency	Ghana cedi (GH¢)
Business language	English
Ease of doing business	67 out of 186 countries
Global competitiveness	111 out of 144 countries



LEASE AGREEMENTS

Term	Leases are typically for 2–5 years.
Break clause	Either party can exercise a break option with notice served on the other party. Typical notice period is 3 months to which consent may not be unreasonably withheld.
Renewal	Renewals are negotiable. Depending on the terms and conditions in the lease agreement, the tenant has the first option to renew at the prevailing or negotiated market rental rate when the lease expires.
Right to sublet	Subletting is permissible, but this should be done with the consent of the landlord, which should not be unreasonably withheld.
Option to expand & right of first refusal	These options are negotiable particularly if the tenant occupies a large proportion of the lettable space.
Late delivery by landlord	Penalties may apply should a building not be ready for occupation by the agreed date as set out in the lease agreement.
Holdover by tenant	Leases do not effectively cover holdover by tenants and so eviction and other penalties require court action. Additionally, holdover by tenants is generally not encouraged as a statutory tenancy will be created. Statutory tenants cannot be evicted and have absolute security of tenure.
Signage and naming of building	Building signage and naming are negotiable and depend on the conditions stipulated in the lease agreement or are governed by a side agreement.
Standard lease	Each landlord has their own standard lease drafted in accordance with the 1963 Rent Act. Standard leases are generally used with some variation to reflect special circumstances.
Laws and practices	Leases are governed by the 1963 Rent Act. Generally, there are standard lease terms recognised by the courts. It is advisable that leases are stamped and registered with the Lands Commission or with the courts by way of “oath of proof” which is a legal recognition of the parties who have entered into the lease agreement.

SPACE MEASUREMENT

Measurement	Areas are quoted in square metres (m ²).
Definition	<p>Net internal area</p> <p>Measured in line with the RICS Code of Measuring Practice, i.e. <i>the usable area within a building measured to the internal face of the perimeter walls at each floor level</i> and includes as well as excludes a list of varying parameters, e.g. excludes aspects such as lift rooms, plant rooms, internal structural walls, walls enclosing excluded areas, columns, piers, stairwells, lift-wells, permanent lift lobbies, etc.</p>

OCCUPATION COSTS

Rent	<p>Rent basis</p> <p>Landlords always split their rental into a net rental with service charges being additional to the quoted rent.</p> <p>Parking</p> <p>In some properties, parking is free, but where parking is charged, this is billed separately at a specific rate per bay per month.</p> <p>Rents quoted</p> <p>Generally, rents are quoted as net rents in US\$/m²/month.</p> <p>Rent payable</p> <p>Typically, rents are payable in advance. Depending on the lease agreement, it could be 3 months, 6 months or 1 year in advance. The current norm is around 3 months to 6 months. There is a statutory Withholding Tax of currently 8% on all rentals. Office rents exclude VAT of 17.5% which is payable in addition to rent.</p> <p>Rent free period</p> <p>Rent free concessions are rare, however, tenants are usually allowed between 1 to 3 months period for fit-out prior to the commencement of the lease in the form of an early access arrangement.</p> <p>Rent escalation</p> <p>Average rental escalation rates are approximately 4 – 5% per annum.</p>
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Rent	<p>Rent review periods</p> <p>Commercial leases may provide for periodic rent reviews at an agreed annual percentage increase, typically between 5–10%, and sometimes higher. If the tenant leases vacant land from the government, the rent is considered commercial rent, and it is reviewed as with commercial leases. Government Ground Rents (rents paid to the government for occupying and developing Government land) provide for rental reviews on a five yearly basis.</p> <p>Currency for rent payable</p> <p>Rents as stated in lease agreements are normally quoted in US\$ which are payable in the local Ghanaian currency, the cedi (GH¢ or GHC), converted at the prevailing inter-bank exchange US\$ rate at the time of signing the agreement.</p>
Operating costs	<p>Operating costs, also called Common Area Maintenance Fees (CAM) or Tenant Service Charges (T/S), are a tenant's proportional contribution towards building maintenance and services, based on the tenant's specific area under the tenancy agreement.</p> <p>Operating costs are billed separately from net rent in the lease. The purpose of the split is to enable the application of separate escalation rates to the operating costs and to the net rent. Operating costs vary and are usually between 10 - 15% of net monthly rentals.</p> <p>The escalation rate applied to operating costs is generally higher than the rate applied to the net rent. Operating costs generally cover some of the landlord expenses such as maintenance, cleaning of the common areas, security, insurance, assessment rates and other levies. However, operating costs may or may not include utilities such as electricity and water consumption as this will be dependent on how the building was developed and if space is individually metered.</p>
Taxes	<p>Property taxes, known as "Property Rates", are assessed on the capital value of the property and are payable by the property owner.</p> <p>There is VAT of 17.5% added to the rental amount, however landlords need to be registered with the Internal Revenue Services (IRS) to be able to charge VAT on rent. Additionally, the Government has proposed a Rent Tax of 8% on all rents payable to the landlord. The tenant, by law is required to deduct this rent tax unless the landlord produces a valid certificate of exemption from the IRS.</p>

Utilities	<p>Electricity</p> <p>Depending on how a building was developed, tenants will either pay the landlord or the Ghana Electricity Company directly for electricity used. In most commercial buildings, the landlord pays for electricity and recovers the cost by way of service charge. Recently, due to the increases in utility charges and to minimise the landlord's risk, buildings have separate electricity meters for each tenant on a prepaid arrangement and only the electricity for common areas is recovered through the service charge.</p> <p>Water</p> <p>In multi-tenanted buildings, the landlord pays for water and recovers the cost by way of service charge. Due to the unreliability of water from the utility company, some landlords have reservoirs and recover the cost of supplying water from the tenants.</p>
Fit-out	<p>Buildings are typically offered as “core and shell”. Occasionally, space has a tiled floor finish, suspended ceilings, wall finishes and air conditioning. The landlord will be responsible for the sockets, lighting, air-conditioning, suspended ceilings, etc. Tenants are expected to provide partitioning, internal cabling and furnishing. Furthermore, tenants pay all fit-out costs. Fit-out costs normally apply to internal fixtures and fittings carried out purposely for the tenant's occupation.</p>
Restoration	<p>The landlord is responsible for repair and maintenance of the building fabric and common areas and tenants are required to look after the interior of the premises, fair wear and tear accepted.</p> <p>Tenants are normally required to reinstate the property to a tenantable state before exiting or vacating the rented premises subject to fair wear and tear.</p>
Deposits and/or guarantees	<p>A typical security deposit of one to three months' rent is required and is paid back to the tenant on exiting or vacating the rented premises if there is no outstanding repair liability or tenant breaches i.e. rent arrears. Normally, leases do not state that rental deposits are to be placed in an interest bearing account, thus no interest is payable on rental deposits.</p>
Parking	<p>In some properties, parking is free, but where parking is charged, this is billed separately at a specific rate per bay per month. Generally, a ratio of 4 bays per 100m² of GLA is supposed to be provided.</p>

<p>Other occupancy costs</p>	<p>Insurance</p> <p>By law, the landlord is responsible for insuring the structure or the external fabric of the building, some landlords however recover this by way of service charge. The tenant is responsible for insuring the interior of the premises as well as the contents therein.</p> <p>Security</p> <p>Some tenants (large occupiers such as banks) employ their own security to man their premises in addition to building security provided by the landlord.</p>
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TRANSACTION COSTS

<p>Brokerage</p>	<p>Most landlords do not usually use brokers to fill vacant spaces but when a broker is used the landlord will pay the brokerage fees. If a landlord appoints a broker(s), he/she will usually grant them preferred or selected leasing mandates. On the other hand, when a tenant is represented, the tenant pays the broker's fee. However, a broker may not collect fees from both the landlord and the tenant unless such arrangement is agreed upon by all parties.</p> <p>Brokerage fees outlined below are levied on net rent:</p> <p>New leases</p> <ul style="list-style-type: none"> • The landlord typically pays a fee equivalent to one month's rent or 8-12.5% of the first year's rent. • Tenants that are represented typically pay the same fee, i.e. either one month's rent or 8-10% of the first year's rent, this is however subject to agreement. <p>Subleases</p> <p>Subleases are occasionally done by brokers, and if represented the fees are usually negotiated and may be between 50% of the annual rental or one month's rent. In most cases the tenant will pay this commission.</p> <p>Renewals</p> <p>The Broll brokerage division is not normally involved in lease renewals, this is normally undertaken between the landlord and tenant directly unless either party instructs a broker to assist in the process. The method of renewal is usually stated in the lease agreement.</p>
<p>Legal fees</p>	<p>Legal fees are paid by each party should they decide to use a legal representation. Usually the landlord will have his/her own lawyer who draws up the lease agreement and submits it to the tenant for review and comments. The tenant might have his/her own lawyer who will review the intended lease agreement.</p>

GENERAL LEASING MARKET

Transparency	Information about the market is not readily available and there are no structured reports available to prospective investors. Therefore, market statistics such as vacancy rates, average rentals and operating costs, capitalisation rates and discount rates are not easy to get hold of. Information regarding the names of tenants, the rental rates agreed upon and the length of leases is not usually disclosed. Additionally, there is no central database of available properties thus tenants rely on credible brokers operating in the market to provide them with reliable market information.
Building classification	<p>No formal rules or regulations exist to classify buildings in Ghana. However, international standards are followed and properties can be informally classified by building quality, facilities and services provided, age as well as electrical and mechanical installations:</p> <p>A-grade Properties in prime locations which have good mechanical and electrical installations i.e. standby generator set, lifts (elevators), air conditioning, CCTV, access control, firefighting equipment and offer facilities management soft services such as security, janitorial, landscaping (horticulture), etc. Most properties have split air-conditioners (separate or individual units without door units) and not central systems.</p> <p>B and C-grade Properties without most of the facilities found in A-grade properties and are in less attractive locations, especially older buildings in need of refurbishment.</p> <p>Green Buildings South African or British standards are followed to obtain certification.</p>



LEASE AGREEMENTS

Term	Leases are typically for 2–5 years, with either fixed escalations or negotiated reviews.
Break clause	Either party can exercise a break option with notice served on the other party. Typical notice period is 3 months and consent should not be unreasonably withheld.

Renewal	Renewals are negotiable. Depending on the terms and conditions in the lease agreement, the tenant has first option to renew at the prevailing or negotiated market rental rate when the lease expires.
Right to sublet	Parties normally agree that subletting is allowed only with the landlord's consent, which cannot be unreasonably withheld.
Option to expand & right of first refusal	These options are negotiable particularly if the tenant occupies a large portion of the lettable space
Late delivery by landlord	Penalties may apply should a building not be ready for occupation by the agreed date as set out in lease agreement.
Holdover by tenant	Holdover by tenants is generally not encouraged as a statutory tenancy will be created. Statutory tenants cannot be evicted unless by the order of courts and have absolute security of tenure.
Signage and naming of building	Building signage and naming are negotiable and depend on the conditions stipulated in the lease agreement.
Standard lease	Each landlord has their own standard lease drafted in accordance with the 1963 Rent Act. Some leases provide for negotiations for rent reviews during mid-period and lease expiry.
Laws and practices	Leases are governed by the 1963 Rent Act. Generally, there are standard lease terms recognised by the courts. It is advisable that leases are stamped and registered with the Lands Commission or with the courts by way of "oath of proof" which is a legal recognition of the parties who have entered into the lease agreement.

SPACE MEASUREMENT

Measurement	Areas are quoted in square metres (m ²).
Definition	<p>Gross external area</p> <p>Industrial properties are usually measured using gross external area. This measurement is in line with the RICS Code of Measuring Practice, i.e. <i>Gross external area is the area of a building measured externally at each floor level.</i></p>

OCCUPATION COSTS

Rent	<p>Rent basis The tenant pays net rental to the landlord and operational costs in most cases do not feature in this regard.</p> <p>Parking Parking is provided free of charge.</p> <p>Rents quoted Generally, rents in warehouse buildings are quoted as net rents in US\$/m²/month.</p> <p>Rent payable Rents as stated are generally paid in advance. Depending on the lease agreement, it could be 3 months, 6 months or 1 year. There is a statutory Withholding Tax of currently 8% on all rentals. Warehouse rents exclude VAT of 17.5%, which is payable in addition to the rent.</p> <p>Rent escalation Most leases provide for annual rental escalations of between 3 - 5%.</p> <p>Rent free period N/A</p> <p>Rent review periods Commercial leases may provide for periodic rent reviews at an agreed annual percentage increase, typically between 5–10%, and sometimes higher. If the tenant leases vacant land from the government, the rent is considered commercial rent, and it is reviewed as with commercial leases. Government Ground Rents (rents paid to the government for occupying and developing Government land) provide for rental reviews on a five yearly basis.</p> <p>Currency for rent payable Rents as stated in lease agreements are normally quoted in US\$ which are payable in the local Ghanaian currency, the cedi (GH¢ or GHC), converted at the prevailing inter-bank exchange US\$ rate at the time of signing the agreement.</p>
Operating costs	<p>Warehouses in the country are not built to international standards and the majority of these are owner occupied with few available for rental. The owners manage the buildings themselves and operational costs in most cases do not feature in this regard.</p>

Taxes	<p>Property taxes, known as “Property Rates”, are assessed on the capital value of the property and are payable by the property owner.</p> <p>There is VAT of 17.5% added to the rental amount, however landlords need to be registered with the Internal Revenue Services (IRS) to be able to charge VAT on rent. Additionally, the Government has proposed a Rent Tax of 8% on all rents payable to the landlord. The tenant by law is required to deduct this rent tax unless the landlord produces a valid certificate of exemption from the IRS.</p>
Utilities	<p>Utilities include water, electricity and fuel for standby generators if the property has a generator.</p> <p>Water is usually recovered on an occupied space apportionment basis while electricity and diesel are recovered by way of separate monitoring meters. Usually the occupier will provide their own generator to suit their business needs.</p>
Fit-out	Buildings are typically offered as “core and shell”. Tenants are expected to provide partitioning, internal cabling and furnishing to suit their needs.
Restoration	The landlord is responsible for repair and maintenance of the building fabric and common areas. Tenants are required to reinstate the premises to its original condition, fair wear and tear accepted.
Deposits and/or guarantees	Deposits range from 1–3 months’ rent, depending on the tenant’s credit rating.
Parking	Parking is provided free of charge.
Other occupancy costs	<p>Insurance</p> <p>By law, the landlord is responsible for insuring the structure or the external fabric of the building. The tenant is responsible for insuring the interior of the premises as well as the contents therein.</p> <p>Security</p> <p>Some tenants employ their own security to man their premises in addition to building security provided by the landlord.</p>

TRANSACTION COSTS

Brokerage	Landlords usually use brokers to fill vacant spaces and pay broker fees. However, most landlords rarely grant brokers exclusive leasing mandates. On the other hand, when a tenant is represented, the tenant pays the broker’s fee. However, a broker may not collect fees from both the landlord and the tenant unless such arrangement is agreed upon by all parties.
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Brokerage	<p>Brokerage fees outlined below are levied on net rentals.</p> <p>New leases</p> <ul style="list-style-type: none"> • The landlord typically pays a fee equivalent to one month's rent or 8-10% of the first year's rent. • Tenants that are represented typically pay the same fee i.e. either one month's rent or 8-10% of the first year's rent. <p>Renewals</p> <p>The Broll brokerage division is not normally involved in lease renewals, this is normally undertaken between the landlord and tenant directly unless either party instructs a broker to assist in the process. The method of renewal is usually stated in the lease agreement.</p>
Legal fees	<p>Legal fees are paid by each party if they decide to use a lawyer. Usually the landlord will have his/her own lawyer who draws up the lease agreement and submits it to the tenant for review and comments. The tenant might have his/her own lawyer who will review the intended lease agreement.</p>

GENERAL LEASING MARKET

Transparency	<p>Information about the industrial market is not easily available, with no structured reports being available to prospective investors. Therefore, it is not easy to get hold of market statistics such as vacancy rates, average rentals, capitalisation rates and discount rates. Information regarding the names of tenants, rental rates agreed and the length of leases is not generally available.</p>
Building classification	<p>Most warehouses in Ghana are privately owned and operated by channel suppliers and resellers and are used in their own distribution activities. A few are however available for rental and are not built to international standards. No formal classification exists at this time.</p>



LEASE AGREEMENTS

Term	Leases are typically between 5 – 10 years.
Break clause	Parties can terminate/break lease agreements after 3 months' notice to each party.
Renewal	Renewals are subject to the negotiated clause in the lease agreement.
Right to sublet	Subletting is only accepted with written confirmation of the owner.
Option to expand & right of first refusal	These options are usually included in the lease agreement for some international tenants and are subject to negotiations.
Late delivery by landlord	Agreed with major occupiers. Normally, with anchor tenants, a penalty is agreed upon with the landlord and there are a number of variations depending on how they are able to negotiate the clause, usually around a rent reduction.
Holdover by tenant	Holdover by tenants is generally not encouraged as a statutory tenancy will be created. Statutory tenants cannot be evicted unless by the order of the courts and have absolute security of tenure.
Signage and naming of building	Naming of the building by tenants isn't common practice in the retail market. Usually tenants occupying large spaces have signage rights on the building façade. Landlords normally provide a signage board on which the tenant's details are placed to maintain consistency.
Standard lease	Landlords all have their own standard lease agreements, drafted in accordance with the 1963 Rent Act. Some leases provide for negotiations for rent reviews during mid-period and lease expiry. This is normally done directly by the landlord or his agent and/or the tenant directly, in most cases agents are not involved.
Laws and practices	Leases are governed by the 1963 Rent Act. Generally, there are standard lease terms recognised by the courts. It is advisable that leases are stamped and registered with the Lands Commission or with the courts by way of "oath of proof" which is a legal recognition of the parties who have entered into the lease agreement.

SPACE MEASUREMENT

Measurement	Areas are quoted in square metres (m ²).
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Definition	<p>Net internal area</p> <p>Measured in line with the RICS Code of Measuring Practice, i.e. <i>the usable area within a building measured to the internal face of the perimeter walls at each floor level</i> and includes as well as excludes a list of varying parameters, e.g. excludes aspects such as lift rooms, plant rooms, internal structural walls, walls enclosing excluded areas, columns, piers, stairwells, lift-wells, permanent lift lobbies, etc.</p>
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OCCUPATION COSTS

Rent	<p>Rent basis</p> <p>Landlords always split their rental into a net rental with service charges being additional to the quoted rent.</p> <p>Parking</p> <p>Parking is normally free for most developments. In some cases, the public and tenants are allocated dedicated parking spaces. In certain new developments, parking attracts charges as part of a parking management regime or as additional rent to tenants.</p> <p>Rents quoted</p> <p>Generally, rents in retail developments are quoted as net rents in US\$/m²/month.</p> <p>Rent payable</p> <p>Rents are generally paid in advance. Depending on the lease agreement, it could be 3 months, 6 months or 1 year. There is a statutory Withholding Tax of currently 8% on all rentals. Retail rentals exclude VAT of 17.5%, which is payable in addition to rent. The landlord bills the tenant for both the Withholding Tax and the VAT.</p> <p>Rent free period</p> <p>Rent free concessions are sometimes allowed, between 1 to 3 months, for fit-out prior to the commencement of the lease in the form of early access arrangement.</p> <p>Rent escalation</p> <p>Most lease agreements provide for rental escalations of between 4 - 6% per annum.</p> <p>Rent review periods</p> <p>Commercial leases may provide for periodic rent reviews at an agreed annual percentage increase, typically between 5–10%, and sometimes higher. If the tenant leases vacant land from the government, the rent is considered commercial rent, and it is reviewed as with commercial leases. Government Ground Rents (rents paid to the government for occupying and developing Government land) provide for rental reviews on a five yearly basis.</p>
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Rent	<p>Currency for rent payable</p> <p>Rents in lease agreements are normally stated in US\$ which are payable in the local Ghanaian currency, the cedi (GH¢ or GHC), converted at the prevailing inter-bank exchange US\$ rate at the time of signing the agreement.</p>
Operating costs	<p>Operating costs, also called Common Area Maintenance Fees (CAM) or Tenant Service Charges (T/S), are a tenant's proportional contribution towards building maintenance and services, based on the tenant's specific area under the tenancy agreement.</p> <p>Operating costs are charged separately from net rent in the lease agreement. The purpose of the split is to enable the application of separate escalation rates to the operating costs and to the net rent. Operating costs vary and are usually between 10 - 15% of net monthly rentals.</p> <p>The escalation rate applied to operating costs is generally higher than the rate applied to the net rent. Operating costs generally cover some of the landlord expenses such as maintenance, cleaning of the common areas, security, insurance, assessment rates and other levies. However, operating costs may or may not include utilities such as electricity and water consumption as this will be dependent on how the building was developed and if space is individually metered.</p>
Taxes	<p>Property taxes, known as "Property Rates", are assessed on the capital value of the property and are payable by the property owner.</p> <p>There is VAT of 17.5% added to the rental amount, however landlords need to be registered with the Internal Revenue Services (IRS) to be able to charge VAT on rent. Additionally, the Government has proposed a Rent Tax of 8% on all rents payable to the landlord. The tenant by law is required to deduct this rent tax unless the landlord produces a valid certificate of exemption from the IRS.</p>
Utilities	<p>Electricity</p> <p>Tenants pay for electricity to the landlord or to the Ghana Electricity Company, depending on how the building was developed.</p> <p>In most commercial buildings, the landlord pays for electricity and recovers the cost by way of service charge. Recently, due to increases in utility charges and to minimise the risk to the landlord, buildings have separate electricity meters for each tenant on a prepaid arrangement, and only the electricity for common areas is recovered through the service charge.</p>

Utilities	<p>Water</p> <p>In multi-tenanted buildings, the landlord pays for water and recovers the cost by way of service charge. Due to the unreliability of water from the utility company, landlords have reservoirs and recover the cost of supplying water from the tenants.</p>
Fit-out	<p>Buildings are typically offered as “core and shell”. Occasionally space has tiled floor finish, suspended ceilings, wall finishes and air-conditioning. The landlord will be responsible for the sockets, lighting, air-conditioning, suspended ceilings, etc. Tenants are expected to provide partitioning, internal cabling and furnishing. Furthermore, tenants pay all fit-out costs. Fit-out costs normally applies to internal fixtures and fittings carried out purposely for the tenant’s occupation.</p>
Restoration	<p>The landlord is responsible for repair and maintenance of the building fabric and common areas. Tenants are normally required to reinstate the rented premises to a tenantable state before exiting or vacating, fair wear and tear accepted.</p>
Deposits and/or guarantees	<p>A typical security deposit of three months’ rent is required and is paid back to the tenant on exiting or vacating the rented premises if there is no outstanding repair liability or tenant breaches i.e. rent arrears.</p>
Parking	<p>Parking is normally free for most developments. In some cases, the public and tenants are allocated dedicated parking spaces. In certain new developments, parking attracts charges as part of a parking management regime or as additional rent to tenants.</p>
Other occupancy costs	<p>Insurance</p> <p>By law, the landlord is responsible for insuring the structure or the external fabric of the building, some landlords do however recover this by way of service charge. The tenant is responsible for insuring the interior of the premises as well as the contents therein.</p> <p>Security</p> <p>Some tenants (large occupiers such as banks) employ their own security to man their premises in addition to building security provided by the landlord.</p>

TRANSACTION COSTS

Brokerage	<p>New leases</p> <p>Each landlord will have their own standard lease agreements especially with regards to international developers thus commissions can be as much as a month and a half’s rent, however, the market norm is usually one month’s rent. Generally the landlord will pay brokerage commission for major retail developments and tenants are not normally represented by brokers.</p>
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Brokerage	<p>Renewals</p> <p>Renewals are normally done by the centre managers but where an agent is involved, up to one month's rent is paid as commission. This commission is usually payable by the landlord.</p>
Legal fees	<p>Legal fees are paid by each party if they decide to use a lawyer. Usually the landlord will have his/her own lawyer who draws up the lease agreement and submits it to the tenant for review and comments. The tenant might have his/her own lawyer who will review the intended lease agreement.</p>

GENERAL LEASING MARKET

Transparency	<p>Information about the market is not readily available and there are no structured reports available to prospective investors. Therefore, market statistics such as vacancy rates, average rentals and operating costs, capitalisation rates and discount rates are not easy to get hold of. Information regarding the names of tenants, rental rates agreed upon and the length of leases is not usually disclosed.</p>
Building classification	<p>There are no formal classifications in place, however, since Accra Mall was developed, the market seems to be gradually taking on the South African classifications, as per the Investment Property Databank specifications for formal retail developments.</p>



KENYA

Broll Office: Fedha Plaza, Mezzanine Floor,
Mpaka Road, Westlands, Nairobi

Tel: +254 20 374 3066

Web: www.broll.co.ke

Chief Executive Officer: Jonathan Yach

Email: jyach@broll.co.ke



COUNTRY FACTS

Capital City	Nairobi
Population	44 million (2014 estimate)
Unemployment	40% (2014 estimate)
GDP	0.7% (Q1:2014)
GDP per capita	US\$1,517
Inflation rate	8.4% (August 2014)
Interest rate	8.5% (September 2014)
Corporate tax	30% (January 2014)
Sales tax	16% (January 2014)
Currency	Shilling (KSh)
Business language	English
Ease of doing business	129 out of 186 countries
Global competitiveness	90 out of 144 countries



LEASE AGREEMENTS

Term	Leases are typically for 5 years and 1 month with fixed rentals and predetermined annual escalations.
Break clause	There are no provisions for early termination or breaks.
Renewal	Renewals are negotiable and the tenant has a right to renew at the market rental rate if specified in the lease agreement. All renewals are at the discretion of the landlord.
Right to sublet	Subletting is allowed, but is subject to the landlord's approval.
Option to expand & right of first refusal	The option to expand and right of first refusal are negotiable.
Late delivery by landlord	Should a building not be ready for occupation by the agreed date as set out in the lease agreement, penalties will be dependent on the conditions stipulated in the contract. These conditions are negotiable.
Holdover by tenant	When a lease expires and the tenant continues paying rent he/she becomes a protected tenant and can only be removed by means of a court order.
Signage and naming of building	No signage is allowed by a single tenant as the landlord provides a central signage/directory.
Standard lease	Each landlord has their own standard lease agreement.
Laws and practices	Lease agreements are governed by Kenya's Acts of Parliament such as the Landlord and Tenant (shops, hotels and catering establishments) Act Chapter 301 and the Estate Agency Act Chapter 533, the Distress for Rent Act Chapter 293, Rent Restriction Act Chapter 296 and Auctioneers Act Chapter 526 to name a few.

SPACE MEASUREMENT

Measurement	Areas are quoted in square feet (ft ²).
Definition	Gross lettable area (GLA) Market practice defines gross lettable area as covering 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.

OCCUPATION COSTS

Rent

Rent basis

- **Net leases**

Net rental, service charges and parking fees are charged separately.

- **Triple net leases**

This generally applies for single-tenanted properties with strong profiles. In cases such as these, the tenant pays net rental plus VAT (16%) and is contractually obligated to maintain and manage the property.

Parking

Parking is charged separately from rental at a rate per bay per month, escalating in line with rentals. Operating costs are not applicable to parking fees.

Rents quoted

Generally, rents are quoted as net rents in Kenya Shillings (KSh or Kes)/ft²/month.

Rent payable

Rents are payable monthly in advance and exclude VAT payable of 16%.

Rent free period

Dependent on the amount of space leased, this is negotiable and can range between 2-3 months.

Rent escalation

Most leases provide for annual rental escalation. Rents are market driven and not related to the inflation rate. Rental escalation currently ranges between 7.5 – 10% per annum.

Operating costs

Operating costs, known as “service charges” are payable quarterly in advance and are levied to cover all outgoings, operational costs and overheads relating to the building. Service charges tend to include water and electricity for common areas, insurance, cost of periodic maintenance and decoration of common areas, maintenance of vehicle parking and delivery areas, management costs, rates and Ground Rents, repairs, cleaning of common areas as well as security.

Service charges are payable from the lease commencement date (including rent free period) and are based on an initial assessment of approximately 10% of the net rent. Service charges are quoted in Kenya shillings (KSh)/ft²/month and are payable quarterly in advance.

Operating costs	<p>These charges are subject to reconciliation at the end of each calendar year following an audit of the building's outgoings. The rate to apply for the following year is accordingly advised to the tenant. Upon receipt of the auditor's report, the tenant pays the landlord upon notification, a share of the service charge of excess expenditure for the year, and if there is a saving, the tenant receives a credit note in the service charge account.</p> <p>Service charges are subject to VAT and do not cover electricity exclusively used by the tenant, which is separately metered and payable by the tenant.</p>
Taxes	A standard VAT rate of 16% is applicable in Kenya and applies to rentals and operating costs.
Utilities	Services such as water, electricity, telephone and the internet are payable directly by the tenant.
Fit-out	For commercial properties, the landlord provides the space in "shell and core" status, that is, cement screed floors, termination of cabling to switch boxes, concrete slab ceilings, single coat of paint and no partitioning. Onus is on the tenant to fit-out the space according to their requirements and all fit-out layouts are subject to the landlord's architect's review and approval. The fit-out cost is borne by the tenant and the cost/ft ² will vary depending on the level and quality of finishes.
Restoration	During the term of the lease, the tenant is required to keep the premises, fixtures and fittings in good repair, order and condition. The landlord undertakes repairs and maintains the building structure, while the common areas are maintained under the service charge. On termination of the lease agreement for whatsoever reason, the tenant is required to restore the premises in the manner that it was provided at the lease commencement.
Deposits and/or guarantees	<p>Security deposits</p> <p>A deposit equivalent to the first year's three month's rent, service charge and parking fee is payable to the landlord with the payment of the first quarter's rent before possession of the premises is granted to the tenant.</p> <p>This deposit is retained by the landlord as security for the due performance by the tenant of the tenant's obligations under the lease agreement. The deposit is refundable without interest to the tenant after the expiry of the lease and delivery of the premises in accordance with and subject to the terms contained in the lease agreement.</p> <p>The deposit cannot be utilised by the tenant on account of payment of rent, service charge and parking fees for the last month (or longer period) of the term of the lease.</p>

Deposits and/or guarantees	Guarantees Guarantees are payable depending on the tenant's credit rating and public reputation. At least two directors of the tenant company are required to sign the lease in their personal capacities to guarantee payment of the rent and fulfilment of the tenant's obligations, or the tenant is required to pay the landlord in lieu, a cash deposit equivalent to 3 months' rent, parking fees and service charge, over and above the security deposit.
Parking	Parking is provided in basement and open areas and is charged at a rate per bay per month, escalating in line with rentals. Operating costs are not applicable to parking rentals. Generally, a ratio of 1.5 or 2 bays per 1,000ft ² of office space is provided.
Other occupancy costs	Insurance Insurance to cover content cost is borne by the tenant where applicable.

TRANSACTION COSTS

Brokerage	Landlords usually pay brokerage fees to brokers that represent them. Tenant representation services are beginning to emerge, however, tenants that are represented by brokers pay their own broker's fee. New lease The landlord typically pays its broker 5-7.5% of the first year's gross annual rent. However, a lower fee may be charged if the broker company is also appointed to manage the property. Renewals The landlord typically pays its broker/managing agent 2.25 – 2.5% of the renewed first year's gross annual rent.
Legal fees	The tenant normally pays the legal costs for the landlord's lawyer drawing up the lease agreement. Additionally, the tenant pays their own legal fees.

GENERAL LEASING MARKET

Transparency	Transparency is limited with the terms of deals being confidential between the landlord and the tenant.
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Building classification

No formal classifications exist in the Kenyan office market, however, based on market trends, the categories below can be viewed as general classifications:

A-grade

New offices built within the last 5 years. Top quality, modern properties, generally pace-setters in establishing rentals and include the latest building services, ample parking, prestigious lobby finishes and views and/or a desirable environment.

B-grade

Buildings not older than 15 years that are well maintained, some of these buildings have had major renovations. Adequate on-site parking, good finishes, lobby areas, security and are easily accessible.

C-grade

Building older than 15 years with old style finishes, services and building systems. These may or may not be air-conditioned or have on-site parking.



LEASE AGREEMENTS

Term	Leases are typically for 5 years 1 month with fixed rentals and predetermined annual escalations.
Break clause	There are no provisions for early termination or breaks.
Renewal	Renewals are negotiable and the tenant has a right to renew at the market rental rate if specified in the lease agreement. All renewals are at the discretion of the landlord.
Right to sublet	Subletting is allowed, but subject to landlord's approval.
Option to expand & right of first refusal	The option to expand and right of first refusal are negotiable.
Late delivery by landlord	Should a building not be ready for occupation by the agreed date as set out in the lease agreement, penalties will be dependent on the conditions stipulated in the contract. These conditions are negotiable.
Holdover by tenant	When a lease expires and a tenant continues paying rent he/she becomes a protected tenant and can only be removed by means of a court order.

Signage and naming of building	No signage is allowed by a single tenant as the landlord provides a central signage/ directory.
Standard lease	Each landlord has their own standard lease agreement.
Laws and practices	Leases are governed by Kenya's Acts of Parliament such as the Landlord and Tenant (shops, hotels and catering establishments) Act Chapter 301 and the Estate Agency Act Chapter 533 the Distress for Rent Act Chapter 293, Rent Restriction Act Chapter 296 and Auctioneers Act Chapter 526 to name a few.

SPACE MEASUREMENT

Measurement	Areas are quoted in square feet (ft²).
Definition	<p>Gross lettable area (GLA)</p> <p>Market practice defines gross lettable area for the industrial market as being the total built up area (warehouse, storage plus office area if provided).</p>

OCCUPATION COSTS

Rent	<p>Rent basis - Net leases</p> <p>Net rental, service charges and parking fees (if incurred) are charged separately.</p> <p>Parking</p> <p>In industrial properties parking is typically free.</p> <p>Rents quoted</p> <p>Generally, rents are quoted as net rents in Kenya shillings (KSh or Kes)/ft²/month.</p> <p>Rent payable</p> <p>Rents are payable on a quarterly basis in advance and exclude VAT payable of 16%.</p> <p>Rent free period</p> <p>Rent free periods are not usual, but in certain instances 1 month may be negotiated.</p> <p>Rent escalation</p> <p>Most leases provide for annual rental increases which are market driven. Current rental escalations are approximately 7.5% per annum.</p>
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Operating costs	<p>Operating costs, known as “service charges” are payable quarterly in advance and are levied to cover all outgoings, operational costs and overheads relating to the building. Service charges tend to include water and electricity for common areas, insurance, cost of periodic maintenance and decoration of common areas, maintenance of vehicle parking and delivery areas, management costs, rates and Ground Rents, repairs, cleaning of common areas as well as security.</p> <p>Service charges are payable from the lease commencement date (including rent free period) and are based on an initial assessment of approximately 10% of the net rent. Service charges are quoted in Kenya shillings (KSh)/ft²/month and are payable quarterly in advance.</p> <p>These charges are subject to reconciliation at the end of each calendar year following an audit of the building’s outgoings. The rate to apply for the following year is accordingly advised to the tenant. Upon receipt of the auditor’s report, the tenant pays the landlord upon notification, a share of the service charge of excess expenditure for the year, and if there is a saving, the tenant receives a credit note in the service charge account.</p> <p>Service charges are subject to VAT and do not cover electricity exclusively used by the tenant, which is separately metered and payable by the tenant.</p>
Taxes	<p>A standard VAT rate of 16% is applicable in Kenya and applies to rentals and operating costs.</p>
Utilities	<p>Services such as water, electricity, telephone and the internet are payable directly by the tenant.</p>
Fit-out	<p>For most industrial properties, the landlord generally fits-out the premises to a reasonable standard for immediate occupation i.e. walls plastered and painted, office sections are tiled, fitted ceilings and all cabling is installed. If additional fit-out is required, the cost is borne by the tenant with the architect’s approval. In such instances the landlord will generally provide one month’s rent free fit-out period.</p>
Restoration	<p>During the term of the lease, the tenant is required to keep the premises, fixtures and fittings in good repair, order and condition. The landlord undertakes repairs and maintains of the building structure, while the common areas are maintained under the service charge. On termination of the lease agreement for whatsoever reason, the tenant is required to leave the premises in the manner that it was provided at lease commencement.</p>

Deposits and/or guarantees	<p>Security deposits</p> <p>A deposit equivalent to the final year's three month's rent and service charge fees is payable to the landlord with the payment of the first quarter's rent before possession of the premises is granted to the tenant.</p> <p>This deposit is retained by the landlord as security for the due performance by the tenant of the tenant's obligations under the lease agreement. The deposit is refundable without interest to the tenant after the expiry of the lease and delivery of the premises in accordance with and subject to the terms contained in the lease.</p> <p>The deposit cannot be utilised by the tenant on account of payment of rent and service charge fees for the last month (or longer period) of the term of the lease.</p> <p>Guarantees</p> <p>Guarantees are payable depending on the tenant's credit rating and public reputation. At least two directors of the tenant company are required to sign the lease in their personal capacities to guarantee payment of the rent and fulfilment of the tenant's obligations, or the tenant is required to pay the landlord in lieu, a cash deposit equivalent to 3 months' rent and service charge, over and above the security deposit.</p>
Parking	<p>In industrial properties parking is typically free of charge.</p>
Other occupancy costs	<p>Insurance</p> <p>Insurance to cover content cost is borne by the tenant where applicable</p>

TRANSACTION COSTS

Brokerage	<p>Landlords usually pay brokerage fees to brokers that represent them. Tenant representation services are beginning to emerge. Tenants that are represented by brokers pay their broker's fee.</p> <p>New lease</p> <p>The landlord typically pays its broker 5-7.5% of the first year's gross annual rent. However, brokers may charge a lower fee if the broker company is also appointed to manage the property.</p> <p>Renewals</p> <p>The landlord typically pays its broker/managing agent 2.25 – 2.5% of the renewed first year's gross annual rent.</p>
Legal fees	<p>The tenant normally pays the legal costs for the landlord's lawyer drawing up the lease agreement. Additionally, the tenant pays their own legal fees..</p>

GENERAL LEASING MARKET

Transparency	Transparency is limited with the terms of deals being confidential between the landlord and the tenant.
Building classification	<p>No formal classifications exist in the Kenyan industrial market, however, based on market trends the categories below can be viewed as general classifications:</p> <p>A-grade New warehouses built within the last 5 years, generally found in new industrial zones. Building specification: hardened floors, floor to eaves greater than 8 metres, adequate truck turning angles, sufficient parking, three phase power, dedicated power transformer, standby backup generator, borehole, reinforced concrete perimeter fence with electric fencing, 24hour security, cabro/concrete paved yards, fitted office units and at least 3 metres high. Well lit driveways, adequate fire suppression system, adequate day lighting and ventilating cyclones. Dedicated loading bays. Thermal reflective insulation made of one external high resistant aluminium foil on roof covering.</p> <p>B-grade Warehouses built in in the last 5-10years, generally found in new industrial zones. Building specification: standard floors, floor to eaves approximately 6 metres, adequate truck turning angles, parking provided, three phase power, borehole or storage tanks, cabro/concrete paved yards, fitted office units and at least 2.5 metres high. Adequate fire suppression system, adequate day lighting and ventilating cyclones.</p> <p>C-grade Warehouse built in last 15+ years, generally found in main industrial areas. Building specification: standard floors, floor to eaves approximately 6 metres, parking provided, power supply from the city council, water supply heavily dependent on the city council, adequate fire suppression system, adequate day lighting and ventilating cyclones.</p>



LEASE AGREEMENTS

Term	Leases are typically for 5 years and 1 month with some landlord's being able to achieve leases of 6 years, with fixed rentals and predetermined annual escalations.
Break clause	There are no provisions for early termination or breaks.
Renewal	Lease renewals are negotiable and the tenant has a right to renew at the market rental rate if specified in the lease agreement. All renewals are at the discretion of the landlord.
Right to sublet	Subletting is allowed, but subject to landlord's approval.
Option to expand & right of first refusal	The option to expand and right of first refusal are negotiable.
Late delivery by landlord	Should a building not be ready for occupation by the agreed date as set out in the lease agreement, penalties will be dependent on the conditions stipulated in the contract. These conditions are negotiable.
Holdover by tenant	When a lease expires and a tenant continues paying rent he/she becomes a protected tenant and can only be removed by means of a court order.
Signage and naming of building	No signage is allowed by a single tenant as the landlord provides a central signage/ directory. The cost is borne by the tenant if the signage is anywhere on the building or on directory panels.
Standard lease	Each landlord has their own standard lease agreement.
Laws and practices	Lease agreements are governed by Kenya's Acts of Parliament such as the Landlord and Tenant (shops, hotels and catering establishments) Act Chapter 301, Estate Agency Act Chapter 533 the Distress for Rent Act Chapter 293, Rent Restriction Act Chapter 296 and Auctioneers Act Chapter 526 to name a few.

SPACE MEASUREMENT

Measurement	Areas are quoted in square feet or square metres (ft ² or m ²).
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Definition	<p>Gross lettable area (GLA)</p> <p>Market practice defines gross lettable areas as covering 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.</p>
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OCCUPATION COSTS

Rent	<p>Rent basis - Net leases</p> <p>Net rental, service charges and parking fees are charged separately.</p> <p>Parking</p> <p>Parking is charged separately from rental at a rate per bay per month.</p> <p>Rents quoted</p> <p>Generally, rents are quoted as net rents in Kenya shillings (KSh or Kes)/ft² or m²/month.</p> <p>Rent payable</p> <p>Rents are payable on a quarterly basis in advance and exclude VAT payable of 16%.</p> <p>Rent free period</p> <p>Applies only during the fit-out stage, approximately 1-3 months, but the tenant must pay service charges from the beneficial occupation date.</p> <p>Rent escalation</p> <p>Most leases provide for annual rental increases, and current rental escalations range between 5% - 10% per annum.</p>
Operating costs	<p>Operating costs, known as “service charges” are payable quarterly in advance and are levied to cover all outgoings, operational costs and overheads relating to the building. Service charges tend to include water and electricity for common areas, insurance, cost of periodic maintenance and decoration of common areas, maintenance of vehicle parking and delivery areas, management costs, rates and Ground Rents, repairs, cleaning of common areas as well as security.</p> <p>Service charges are payable from the lease commencement date (including rent free period) and are based on an initial assessment of approximately 10% of the net rent. Service charges are quoted in Kenya shillings (KSh)/ft²/month and are payable quarterly in advance.</p>

Operating costs	<p>These charges are subject to reconciliation at the end of each calendar year following an audit of the building's outgoings. The rate to apply for the following year is accordingly advised to the tenant. Upon receipt of the auditor's report, the tenant pays the landlord upon notification, a share of the service charge of excess expenditure for the year, and if there is a saving, the tenant receives a credit note in the service charge account.</p> <p>Service charges are subject to VAT and do not cover electricity exclusively used by the tenant, which is separately metered and payable by the tenant.</p>
Taxes	A standard VAT rate of 16% is applicable in Kenya and applies to rentals and operating costs.
Utilities	Services such as water, electricity, telephone and the internet are payable directly by the tenant.
Fit-out	The landlord provides the retail space in "shell and core status" i.e. plaster and paint or screed on the floors, electricity and water and air-conditioning points to be provided in some cases. Onus is on the tenant to fit-out the space according to their requirements and all fit-out layouts are subject to the landlord's architect's review and approval. The fit-out cost is borne by the tenant and the cost/ft ² will vary depending on the level and quality of finishes.
Restoration	During the term of the lease, the tenant is required to keep the premises, fixtures and fittings in good repair, order and condition. The landlord undertakes repairs and maintains the building structure, while the common areas are maintained under the service charge. On termination of the lease agreement for whatsoever reason, the tenant is required to leave the premises in the manner that it was provided at lease commencement.
Deposits and/or guarantees	<p>Security deposits</p> <p>A deposit equivalent to 3 month's rent and service charge is payable to the landlord with the payment of the first quarter's rent and service charge before possession of the premises is granted to the tenant.</p> <p>This deposit is retained by the landlord as security for the due performance by the tenant of the tenant's obligations under the lease agreement. The deposit is refundable without interest to the tenant after the expiry of the lease and delivery of the premises in accordance with and subject to the terms contained in the lease.</p>

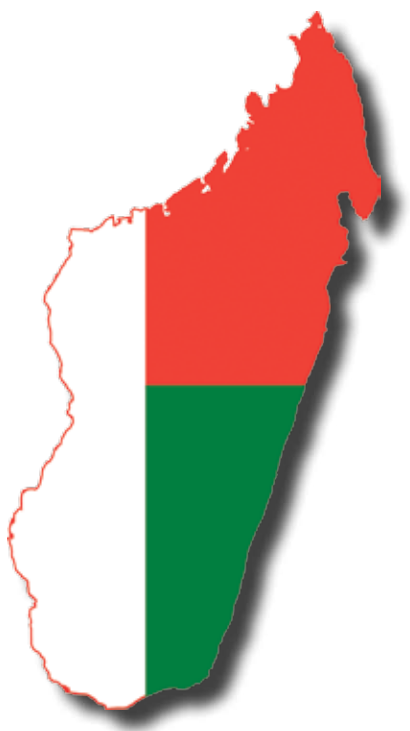
Deposits and/or guarantees	<p>The deposit cannot be utilised by the tenant on account of payment of rent, service charge and parking fees for the last month (or longer period) of the term of the lease.</p> <p>Guarantees</p> <p>Guarantees are payable depending on the tenant's credit rating and public reputation. If there are no guarantors, the tenant is required to pay the landlord in lieu, a cash deposit equivalent to 2 months' rent and service charge, over and above the security deposit.</p>
Parking	Parking is charged separately.
Other occupancy costs	<p>Insurance</p> <p>Insurance to cover content cost is borne by the tenant where applicable.</p>

TRANSACTION COSTS

Brokerage	<p>Landlords usually pay brokerage fees to brokers that represent them. Tenant representation services are beginning to emerge, however, tenants that are represented by brokers pay their own broker's fee.</p> <p>New leases</p> <p>For new leases, the landlord typically pays its broker 100% of the gross monthly rent.</p> <p>Renewals</p> <p>Renewal of leases range between 33%-100% of the gross monthly rent payable to the broker/managing agent.</p>
Legal fees	The tenant normally pays the legal costs for the landlord's lawyer drawing up the lease agreement. Additionally, the tenant pays their own legal fees.

GENERAL LEASING MARKET

Transparency	Transparency is limited with the terms of deals being confidential between the landlord and the tenant.
Building classification	Formal classification of retail buildings is not evident.



MADAGASCAR

Broll Office: Suite 2IJ, 2nd Floor, Raffles Tower,
Ebene, Mauritius

Tel: +230 468 1222

Web: www.broll-io.com

Managing Director: Rhoy Ramlackhan

Email: rhoy@broll-io.com



COUNTRY FACTS

Capital City	Antananarivo
Population	22.9 million (2014 estimate)
Unemployment	3.8% (2010 estimate)
GDP	10.8% (2013)
GDP per capita	US\$265
Inflation rate	6.2% (July 2014)
Interest rate	9.5% (July 2014)
Corporate tax	20% (January 2014)
Sales tax	20% (January 2014)
Currency	Ariary (Ar)
Business language	French
Ease of doing business	148 out of 186 countries
Global competitiveness	130 out of 144 countries



LEASE AGREEMENTS

Term	Leases are normally for 3, 6 or 9 years with fixed rentals and predetermined rental escalations.
Break clause	Termination or breaks can be served with a notice of normally 3-6 months in advance, normally after the first year of the lease agreement.
Renewal	Renewals are negotiable and both the landlord and the tenant have rights to renew at market related rentals or agreed rentals between the two parties.
Right to sublet	Parties normally agree that subletting is allowed only with the landlord's consent which cannot be unreasonably withheld.
Option to expand & right of first refusal	Options to expand and the right of first refusal are negotiable.
Late delivery by landlord	Conditions are negotiable.
Holdover by tenant	Holdover is negotiable if mentioned in the lease agreement.
Signage and naming of building	Signage and naming of the building will be dependent on the decision made by the body corporate and building management.
Standard lease	Each landlord has their own standard lease agreement.
Laws and practices	There are no specific laws which relate to lease agreements but leases must adhere to the laws of Madagascar.

SPACE MEASUREMENT

Measurement	Lettable areas are quoted in square metres (m ²).
Definition	<p>Net internal area</p> <p>Rentable area normally refers to the net internal area and the RICS Code of Measuring Practice definition is normally adopted, i.e. <i>the usable area within a building measured to the internal face of the perimeter walls at each floor level</i> and includes as well as excludes a list of varying parameters, e.g. excludes aspects such as lift rooms, plant rooms, internal structural walls, walls enclosing excluded areas, columns, piers, stairwells, lift-wells, permanent lift lobbies, etc.</p>

OCCUPATION COSTS

Rent	<p>Rent basis Net rental (+VAT of 20%) + service charges (VAT free).</p> <p>Parking Parking is normally let at a charge per bay per month (+ VAT).</p> <p>Rent quoted Rents are quoted in Euro (€) or MGA (Malagasy Ariary)/m²/month.</p> <p>Rent payable Rents are payable monthly or quarterly in advance.</p> <p>Rent free period Normally one month but can be negotiated as a rent free period.</p> <p>Rent escalation Rent escalations are normally based on CPI or a maximum of 5% annually whichever is lower.</p>
Operating costs	Operating costs, normally known as “service charges”, are paid by the tenant and cover the general expenses associated with the running of the building. Typical operating costs amount to approximately 10% of the rent for fitted out offices and 5% for spaces let on a core and shell basis.
Taxes	The tenant pays for municipal taxes which vary according to region and municipality. The amount payable by the tenant is on a pro-rata basis in relation to the size of the tenant’s rented space.
Utilities	Electricity and water used are paid by the tenant. Service charges relating to utilities are paid according to the share of common areas in relation to the area occupied.
Fit-out	The tenant is normally responsible for all fit-out costs or will pay a higher rent for fitted out spaces.
Restoration	The landlord pays for repairs and maintenance to the building and common areas. The tenant must restore the premises to its original condition upon expiry of the lease agreement at own cost.
Deposits and/or guarantees	Normally a security deposit representing 3-6 months’ rent is required.
Parking	Parking is charged separately at a rate per bay per month.

Other occupancy costs	<p>Insurance</p> <p>Building insurance is payable by the landlord and the tenant is responsible for insurance costs for covering their own assets inside the let space, public liability and for fire and allied perils.</p>
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TRANSACTION COSTS

Brokerage	<p>New leases</p> <p>Landlords normally pay brokers that represent them two months' rent of the first year's rent. Tenants normally pay brokers that represent them two months' rent of the first year's rent.</p> <p>Renewals</p> <p>No brokerage fees are charged for lease renewals, brokerage fees are only applicable for new lease agreements.</p>
Legal fees	The landlord and tenant share legal fees.

GENERAL LEASING MARKET

Transparency	Market statistics are not generally available and information such as the names of tenants and conditions in lease agreements are confidential between parties.
Building classification	<p>There are no formal market classifications, however, Broll Indian Ocean uses the following:</p> <p>A-grade</p> <p>Generally not older than 15 years, some of these building have had major renovations, feature high quality modern finishes, air-conditioning, adequate on-site parking with high rentals.</p> <p>B-grade</p> <p>Generally older buildings, but accommodation and finishes are close to modern standards as a result of refurbishments and renovation from time to time, air-conditioning and on-site parking are available, unless special circumstances pertain.</p> <p>C-grade</p> <p>Buildings with old style finishes, services and building systems. Buildings may or may not be air-conditioned or have on-site parking</p>



LEASE AGREEMENTS

Term	Leases are normally for 3, 6 or 9 years with fixed rentals and predetermined rental escalations.
Break clause	Termination or breaks can be served with a notice of normally 3-6 months in advance.
Renewal	Renewals are negotiable and both the landlord and the tenant have rights to renew at market related rentals or agreed rentals between the two parties.
Right to sublet	Parties normally agreed that subletting is allowed only with the landlord's consent which cannot be unreasonably withheld
Option to expand & right of first refusal	Options to expand and the right of first refusal are negotiable.
Late delivery by landlord	Conditions are negotiable.
Holdover by tenant	Holdover is negotiable if mentioned in the lease agreement.
Signage and naming of building	Signage and naming of the building will be dependent on the decision made by the body corporate and building management.
Standard lease	Each landlord has their own standard lease agreement.
Laws and practices	There are no specific laws which relate to lease agreements but lease agreements must adhere to the laws of Madagascar.

SPACE MEASUREMENT

Measurement	Lettable areas are quoted in square metres (m ²).
Definition	<p>Net internal area</p> <p>Rentable area normally refers to the net internal area and the RICS Code of Measuring Practice definition is normally adopted, i.e. <i>the usable area within a building measured to the internal face of the perimeter walls at each floor level</i> and includes as well as excludes a list of varying parameters, e.g. excludes aspects such as lift rooms, plant rooms, internal structural walls, walls enclosing excluded areas, columns, piers, stairwells, lift-wells, permanent lift lobbies, etc.</p>

OCCUPATION COSTS

Rent	<p>Rent basis Net rental (+VAT) + service charges (free of VAT).</p> <p>Parking Parking is normally free of charge.</p> <p>Rent quoted Rents are quoted in EUR (€) or MGA (Malagasy Ariary) /m²/month.</p> <p>Rent payable Rents are payable monthly or quarterly in advance.</p> <p>Rent free period Normally one month can be negotiated as a rent free period.</p> <p>Rent escalation Rent escalations are normally based on CPI or a maximum of 5% annually whichever is lower.</p>
Operating costs	Operating costs, normally known as “service charges”, are paid by the tenant and cover the general expenses associated with the good running of the building. Typical operating cost amounts to 3% - 5% of the rent.
Taxes	Tenants pay for municipal taxes which vary according to region and municipality. The amount payable by the tenant is on a pro-rata basis in relation to the size of the tenant’s rented space.
Utilities	Electricity and water used are paid by the tenant. Service charges relating to utilities are paid according to the share of common parts in relation to the area occupied.
Fit-out	The tenant is normally responsible for any fit-out costs.
Restoration	The landlord pays for repairs and maintenance to the building and common parts. The tenant must restore the premises to its original condition upon expiry of the lease agreement at own cost.
Deposits and/or guarantees	Normally a security deposit representing 3-6 months’ rent is required.
Parking	Parking is normally free of charge.

Other occupancy costs	<p>Insurance</p> <p>Building insurance is payable by the landlord and the tenant is responsible for insurance costs for covering their own assets inside the let space, public liability and for fire and allied perils.</p>
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TRANSACTION COSTS

Brokerage	<p>New leases</p> <p>Landlords normally pay brokers that represent them two months' rent of the first year's rent. Tenants normally pay brokers that represent them two months' rent of the first year's rent.</p> <p>Renewals</p> <p>No brokerage fees are charged for lease renewals, brokerage fees are only applicable for new lease agreements.</p>
	<p>Legal fees</p> <p>The landlord and tenant share legal fees.</p>

GENERAL LEASING MARKET

Transparency	<p>Market statistics are not generally available and information regarding names of tenants and conditions within lease are confidential between parties.</p>
Building classification	<p>There are no formal market classifications, however, Broll Indian Ocean uses the following:</p>
	<p>A-grade</p> <p>Generally not older than 15 years with good structured concrete buildings, high ceilings, good ventilation from windows and also natural lighting, sufficient spaces for turning circles for trucks, adequate on-site parking, high security and located close to motorways.</p> <p>B-grade</p> <p>Generally older buildings of over 15-20 years with medium structured buildings normally with a mix of concrete and corrugated iron sheet structures, sufficient spaces for medium-sized trucks, normal security and close to B-roads.</p>



LEASE AGREEMENTS

Term	Leases are normally for 3, 6 or 9 years with fixed rentals and predetermined rental escalations.
Break clause	Termination or breaks can be served with a notice of normally 3-6 months in advance.
Renewal	Renewals are negotiable and both the landlord and the tenant have rights to renew at market related rentals or agreed rentals between the two parties, terms are defined in the lease agreement.
Right to sublet	Parties normally agree that subletting is allowed only with the landlord's consent which cannot be unreasonably withheld.
Option to expand & right of first refusal	Options to expand and the right of first refusal are negotiable.
Late delivery by landlord	Conditions are negotiable.
Holdover by tenant	Holdover is negotiable if mentioned in the lease agreement.
Signage and naming of building	Signage and naming of the building will be dependent on the decision made by the body corporate and building management.
Standard lease	Each landlord has their own standard lease agreement.
Laws and practices	There are no specific laws which relate to lease agreements but leases must adhere to the laws of Madagascar.

SPACE MEASUREMENT

Measurement	Lettable areas are quoted in square metres (m ²).
Definition	<p>Net internal area</p> <p>Rentable area normally refers to the net internal area and the RICS Code of Measuring Practice definition is normally adopted, i.e. <i>the usable area within a building measured to the internal face of the perimeter walls at each floor level</i> and includes as well as excludes a list of varying parameters, e.g. excludes aspects such as lift rooms, plant rooms, internal structural walls, walls enclosing excluded areas, columns, piers, stairwells, lift-wells, permanent lift lobbies, etc.</p>

OCCUPATION COSTS

Rent	<p>Rent basis Net rental (+VAT) + service charges (VAT free).</p> <p>Parking Parking is normally free of charge in retail centres.</p> <p>Rent quoted Rents are quoted in Euro (€) or (Malagasy Ariary) (MGA)/m²/month.</p> <p>Rent payable Rents are payable monthly or quarterly in advance.</p> <p>Rent free period Normally one month can be negotiated as a rent free period.</p> <p>Rent escalation Rent escalations are normally based on CPI or a maximum of 5% annually whichever is lower.</p>
Operating costs	Operating costs, normally known as “service charges”, are paid by the tenant and cover the general expenses associated with the good running of the building. Typical operating costs amount to 15% of the rent.
Taxes	Tenants pay for municipal taxes which vary according to region and municipality. The amount payable by the tenant is on a pro-rata basis in relation to the size of the tenant’s rented space.
Utilities	Electricity and water used are paid by the tenant. Service charges relating to utilities are paid according to the share of common areas in relation to the area occupied.
Fit-out	The tenant is normally responsible for all fit-out costs or will pay a higher rent for fitted out space.
Restoration	The landlord pays for repairs and maintenance to the building and common areas. The tenant must restore the premises to its original condition upon expiry of the lease agreement at own cost.
Deposits and/or guarantees	Normally a security deposit representing 3-6 months’ rent is required.
Parking	Parking is normally free of charge in retail centres.

Other occupancy costs	<p>Insurance</p> <p>Building insurance is payable by the landlord and the tenant is responsible for insurance costs for covering their own assets inside the let space, public liability and for fire and allied perils.</p>
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TRANSACTION COSTS

Brokerage	<p>New leases</p> <p>Landlords normally pay brokers that represent them two months' rent of the first year's rent. Tenants normally pay brokers that represent them two months' rent of the first year's rent.</p> <p>Renewals</p> <p>No brokerage fees are charged for lease renewals, brokerage fees are only applicable for new lease agreements.</p>
Legal fees	The landlord and tenant share legal fees.

GENERAL LEASING MARKET

Transparency	Market statistics are not generally available and information regarding names of tenants and conditions in lease agreements are confidential between parties.
Building classification	<p>There are no formal market classifications, however Broll Indian Ocean uses the following:</p> <p>A-grade</p> <p>Generally not older than 15 years, some of these properties have been renovated and feature high quality modern finishes, air-conditioning in common areas, adequate on-site parking with high rentals. Amenities in A-Grade commercial centres include a supermarket, range of restaurants and a food court, high end line shops, a pharmacy and leisure as well as recreational areas.</p> <p>B-grade</p> <p>Generally older buildings, but accommodation and finishes are close to modern standards as a result of refurbishments and renovation from time to time, air-conditioning and on-site parking are available, unless special circumstances pertain. These centre types normally consist of line shops.</p>



MALAWI

Broll Office: Ground Floor, Kabula House,
Chilembwe Road, Blantyre

Tel: +265 183 4311

Web: www.broll.co.mw

Chief Executive Officer: Ricky Kantema

Email: rkantema@broll.co.mw



COUNTRY FACTS

Capital City	Lilongwe
Population	16.4 million (2014 estimate)
Unemployment	3% (2011 estimate)
GDP	3.7% (2013)
GDP per capita	US\$777
Inflation rate	22.3% (July 2014)
Interest rate	22.5% (September 2014)
Corporate tax	30% (January 2014)
Sales tax	16.5% (January 2014)
Currency	Kwacha (MK)
Business language	English
Ease of doing business	171 out of 186 countries
Global competitiveness	132 out of 144 countries



LEASE AGREEMENTS

Term	Typical lease terms are between 2 – 3 years with fixed rentals and usually contain predetermined annual escalations.
Break clause	Termination or breaks will be dependent on the lease period, area occupied and lease agreement in place while notice periods can range from one to three months.
Renewal	Renewals are negotiable and are dependent on the conditions of the lease agreement and performance of the tenant.
Right to sublet	Subletting is allowed only with the landlord's approval and consent.
Option to expand & right of first refusal	The option to expand and right of first refusal are negotiable.
Late delivery by landlord	Occupancy takes place upon complete construction of the building. There are no late deliveries as buildings are generally constructed with no prior contract agreements and are not developed under prospective tenant demand.
Holdover by tenant	Cases such as these are rare, however, they normally occur when the lease negotiations have taken longer to conclude. In this case, a month-to-month lease agreement is put in place until the lease agreement is concluded or failing which, the tenant is requested to vacate the premises. Such cases are normally avoided as they lack legal backing in case of disputes and obligations.
Signage and naming of building	Dependent upon the landlords consent and the conditions stipulated in the contract.
Standard lease	Each landlord has their own standard lease and negotiations are accepted especially for longer leases of 3 to 5 years or more.
Laws and practices	Civil and land laws govern lease agreements, although negotiations of the contract are accepted.

SPACE MEASUREMENT

Measurement	Areas are quoted in square metres (m ²).
Definition	<p>Rentable area</p> <p>This covers the entire floor, excluding the major vertical penetrations of the floor such as stairs, lift shafts, pipe shafts and vertical ducts which serves more than one floor of the building. It includes services such as stairs, dumb waiters and lifts which exclusively serves a tenant occupying offices on more than one floor. This definition is adopted from the South African Property Owners Association Method of Measuring Floor Areas in Commercial and Industrial Buildings (Sapoa).</p>

OCCUPATION COSTS

Rent	<p>Rent basis - Net leases</p> <p>Operating expenses and government taxes are excluded in the rental amount.</p> <p>Parking</p> <p>Parking is free of charge.</p> <p>Rents quoted</p> <p>Rents are quoted as net in Malawi Kwacha (MK)/m²/month.</p> <p>Rent payable</p> <p>Rents are payable quarterly in advance and exclude Value Added Tax (VAT) payable of 16.5%.</p> <p>Rent free period</p> <p>Rent free periods are not granted.</p> <p>Rental escalation</p> <p>Provision for annual rental escalation is usually specified in the lease agreement and can sometimes be related to the inflation rate. However, due to uncertainty in market conditions, landlords are now starting to negotiate escalations based on prevailing market conditions. Current rental escalation rates vary between 15 – 30% per annum (based on rentals charged in local currency).</p>
Operating costs	<p>Operating costs are charged separately from rent and are based on actual expense invoices received from service/utility providers. Operating costs cover the cleaning of common areas, common security, city rates, gardening/landscaping and utilities such as common usage of electricity and water. Additionally, insurance costs may be included in operating costs.</p>

Taxes	Property taxes include city rates and land rent. City rates are paid by tenants on a pro-rata basis using the premises rented by the tenant while land rent is paid by the landlord. City rates are based on the capital value of the subject property while land rents are fixed by Regional Land offices.
Utilities	Water and electricity are metered for the area occupied or recovered according to the percentage of the area occupied.
Fit-out	The costs of fit-out are for the tenant's account. The landlord generally only fits-out the premises to a reasonable standard with standard ceilings and wall finishes.
Restoration	<p>The landlord undertakes repairs and maintains the structure of the building and common areas.</p> <p>The tenant bears the cost of leaving the premises in its original condition upon vacating the premises.</p>
Deposits and/or guarantees	Deposit is equivalent to one month's rent.
Parking	Parking is not charged and is provided free to all tenants.
Other occupancy costs	<p>Management fees</p> <p>Management fees vary and are calculated as a percentage of total receipts.</p>

TRANSACTION COSTS

Brokerage	<p>New leases</p> <p>The landlord pays the brokerage fees. There is no set percentage for brokerage commission but normally, one month's starting rental is payable.</p> <p>Renewals</p> <p>On lease renewals, no commission is charged.</p>
Legal fees	The tenant pays the legal fees for drawing up of the lease agreement.

GENERAL LEASING MARKET

Transparency	Market transparency is limited and information such as rentals charged is not easily obtainable. However, there is transparency between the landlord and the tenant as to the rental charges and all service charges due.
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Building classification

There are no formal market classifications, but the following have been derived via the marketing of various properties:

A-grade

Not older than five years and with high quality modern finishes and fit-outs.

B-grade

Older buildings of more than five years with close to modern standards as a result of refurbishments and renovations from time to time.

C-grade

Very old buildings with old style finishes, services and building systems.



LEASE AGREEMENTS

Term	Leases are on average for 1-3 years, in normal practice, fixed leases are for 1 year with predetermined annual escalations.
Break clause	Termination of the lease is not possible within the lease period and breaks are no exception especially if the lease period is one year.
Renewal	Renewals are negotiable and are dependent on the conditions of the lease agreement, provided there was no breach of contract.
Right to sublet	Subletting is allowed only with the landlord's approval and consent.
Option to expand & right of first refusal	The option to expand and right of first refusal are negotiable.
Late delivery by landlord	Should a building not be ready for occupation by the agreed date as set out in the lease, penalties charged will be dependent on the conditions as stipulated in the contract. These conditions are negotiable.
Holdover by tenant	Holdover by tenant is negotiable and will depend on the conditions stipulated in the contract.
Signage and naming of building	Building signage and naming are negotiable.

Standard lease	Each landlord has their own standard lease. The contract is however negotiated.
Laws and practices	Civil and land laws govern lease agreements, although negotiations of the contract are accepted.

SPACE MEASUREMENT

Measurement	Areas are quoted in square metres (m ²).
Definition	<p>Rentable area</p> <p>This covers the entire floor, excluding the major vertical penetrations of the floor such as stairs, lift shafts, pipe shafts and vertical ducts which serves more than one floor of the building. It includes services such as stairs, dumb waiters and lifts which exclusively serves a tenant occupying offices on more than one floor. This definition is adopted from Sapoia.</p>

OCCUPATION COSTS

Rent	<p>Rent basis - Net leases</p> <p>Operating expenses and property taxes are excluded in the rental amount for the leases.</p> <p>Triple net leases</p> <p>Triple net leases generally apply to single-tenanted buildings, tenants also have strong profiles with leases being for five or more years. With these leases, the tenant pays net rental plus all property expenses.</p> <p>Parking</p> <p>Free parking is provided in basement and open areas with limited number of vehicles per tenant. The parking space allocation is in accordance with the area occupied by the tenant.</p> <p>Rent quoted</p> <p>Generally, rents are quoted as a net rent in Malawi Kwacha or US\$/m²/month depending on the agreed currency at the time of signing the lease agreement.</p> <p>Rent payable</p> <p>Rents are payable in monthly or quarterly in advance and they exclude VAT payable of 16.5%.</p>
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Rent	<p>Rent free period Rent free periods are not usual but in certain instances 1 month may be negotiated.</p> <p>Rent escalation Most leases provide for annual rental escalations. Rental and operating cost escalations are market driven and are not related to the inflation rate. Rental escalation rates currently vary between 12 – 15% per annum if charged in local currency and an average of 5% if charged in foreign currency.</p>
Operating costs	<p>Operating costs are charged separately from rent and are based on actual expense invoices received from service/utility providers.</p> <p>Operating costs cover the cleaning of common areas, common security, city rates, gardening/landscaping and utilities such as common usage of electricity and water. Additionally, insurance costs may be included in operating costs.</p>
Taxes	Property taxes include city rates and land rent. City rates are paid by tenants on a pro-rata basis using the premises rented by the tenant while land rent is paid by the landlord. City rates are based on the capital value of the subject property while land rents are fixed by Regional Land offices.
Utilities	Water and electricity are metered for the area occupied or recovered according to the percentage of the area occupied.
Fit-out	The landlord generally fits-out the premises to a reasonable standard to meet the tenant's requirements. However, the space is let as is hence the cost of partitioning is the tenant's responsibility.
Restoration	The landlord undertakes repairs and maintains the structure of the building and common areas. The tenant must bear the cost of leaving the premises in its original condition upon vacating the premises.
Deposits and/or guarantees	Deposit amounts range from 1-3 month's rent, depending on the tenant's credit rating.
Parking	Parking is provided free of charge.
Other occupancy costs	<p>Management fees Management fees vary and are calculated as a percentage of total receipts.</p>

TRANSACTION COSTS

Brokerage	<p>New lease</p> <p>Landlord usually pays brokerage fees to the brokers who represent them, but rarely appoint brokers on an exclusive basis.</p> <p>Typically, the landlord will pay their broker an amount equivalent to one month's rent collected from the new tenant (or a percentage as previously arranged).</p> <p>Renewals</p> <p>On lease renewal, no commission is charged.</p>
Legal fees	<p>The tenant normally pays the landlord the legal costs for drawing up the agreement. Additionally, the tenant pays their own lawyers.</p>

GENERAL LEASING MARKET

Transparency	<p>General market statistics are available through various publications such as the Ministry of Tourism, Malawi Revenue Authority, Malawi Stock Exchange and the National Statistical Office of Malawi. However, information regarding tenant names, rental rates, average rents and tenants' trading names is not readily available. Research information remains difficult to access.</p>
Building classification	<p>There are no formal market classifications, but the following have been derived via the marketing of various properties:</p> <p>P-grade (Premier grade)</p> <p>Top quality, modern warehouse buildings, generally trendsetters in establishing high rentals. These buildings offer loading bay facilities, containers and well organised parking areas and good road networks.</p> <p>A-grade</p> <p>Well maintained warehouses with all facilities in place, however they lack provisions for loading and offloading containers hence special provision is required for storage of goods.</p>



LEASE AGREEMENTS

Term	<p>Leases are typically 3-5 years, with non-fixed rentals based on the Kwacha performance against the US\$ and with predetermined annual escalations.</p> <p>The Kwacha value is cyclical and depreciates with minimal appreciations which are normally short-lived. Most developments were constructed using foreign loans and are repaid in US\$. Rentals are charged in US\$ thus rentals are never the same due to monthly Kwacha fluctuations.</p>
Break clause	Terminations or breaks are rare, however, if such a clause is apparent, most leases will then require three months written notice to terminate the lease agreement.
Renewal	Renewals are negotiable and the landlord has the right to renew the lease at the market rental rate if specified in the lease agreement.
Right to sublet	Subletting is not acceptable.
Option to expand & right of first refusal	The option to expand and right of first refusal are negotiable.
Late delivery by landlord	Should the building not be ready for occupation by the agreed date set in the lease agreement, penalties charged will be dependent on the conditions stipulated in the contract.
Holdover by tenant	Cases such as these are rare, however, they normally occur when the lease negotiations have taken longer to conclude. In this case a month-to-month lease agreement is put in place until the lease agreement is concluded or failing which the tenant is requested to vacate the premises. Such cases are normally avoided as they lack legal backing in case of disputes and obligations.
Signage and naming of building	Signage and naming of the building are negotiated and depend on the conditions stipulated in the lease agreement.
Standard lease	Each landlord has their own standard lease and negotiations are normally accepted for leases ranging from 2 – 5 years.
Laws and practices	Civil and Land laws govern lease agreements although negotiations of the contract are accepted.

SPACE MEASUREMENT

Measurement	Areas are quoted in square metres (m ²).
Definition	<p>Rentable area</p> <p>This covers the entire floor, excluding the major vertical penetrations of the floor such as stairs, lift shafts, pipe shafts and vertical ducts which serves more than one floor of the building. It includes services such as stairs, dumb waiters and lifts which exclusively serves a tenant occupying offices on more than one floor. This definition is adopted from the Sapoa.</p>

OCCUPATION COSTS

Rent	<p>Rent basis - Net leases</p> <p>Operating expenses, marketing fees and property taxes are excluded in the rental amount for leases in multi-tenanted buildings and those with lease periods of between 3 and 5 years.</p> <p>Parking</p> <p>Parking is free of charge to all customers/tenants.</p> <p>Rents quoted</p> <p>Generally, rents are quoted as net rents in US\$/m² per month.</p> <p>Rent payable</p> <p>Rents are payable monthly in advance and exclude VAT payable of 16.50%.</p> <p>Rent free period</p> <p>Rent free periods are not usual, but in certain instances 1 month may be negotiated when tenant has to install fittings before starting trading.</p> <p>Rent escalation</p> <p>Most leases provide for annual rental escalations. Current escalation rates vary between 9 – 12% per annum (based on rentals charged in foreign currency).</p>
Operating costs	<p>Operating costs are charged separately from rent and are based on actual expense invoices received from service/utility providers.</p> <p>Operating costs cover the cleaning of common areas, common security, city rates, gardening/landscaping and utilities such as common usage of electricity and water. Additionally, insurance costs may be included in operating costs.</p>

Taxes	Property taxes include city rates and land rent. City rates are paid by tenants on a pro-rata basis using the premises rented by the tenant while land rent is paid by the landlord. City rates are based on the capital value of the subject property while land rents are fixed by Regional Land offices.
Utilities	Water is metered and recovered through operating costs. Electricity is metered for the area occupied. All tenants have their own meters except for the common security lighting systems as the cost is recovered through operating cost charges.
Fit-out	The landlord generally fits-out the premises to a reasonable standard to meet the tenant's requirements with standard carpeting, partitioning, ceilings and wall finishes, or provides an equivalent contribution toward the cost.
Restoration	The landlord undertakes repairs and maintains the structure of the building and common areas. The tenant bears the cost of leaving the premises in its original condition upon vacating the premises.
Deposits and/or guarantees	Deposit is equivalent to one month's rent.
Parking	Parking is free of charge to all customers/tenants.
Other occupancy costs	Management fees Management fees vary and are calculated as a percentage of total receipts.

TRANSACTION COSTS

Brokerage	New leases The landlord pays brokerage fees to brokers representing them. Usually, the landlord will pay a broker one month's rent or 10% of the first year's rent depending on the duration of the lease period. Renewals On lease renewal, no commission is charged.
Legal fees	The tenant normally pays the landlord to draw up the lease agreement.

GENERAL LEASING MARKET

Transparency	There is limited market transparency on rentals charged but there is transparency between the landlord and the tenant as to the rental charges and all service charges.
Building classification	There are no formal market classifications.



MAURITIUS

Broll Office: Suite 2IJ, 2nd Floor, Raffles Tower,
Ebene, Mauritius

Tel: +230 468 1222

Web: www.broll-io.com

Managing Director: Rhoy Ramlackhan

Email: rhoy@broll-io.com



COUNTRY FACTS

Capital City	Port Louis
Population	1.3 million (2014 estimate)
Unemployment	8% (Q1:2014)
GDP	0.5% (Q1:2014)
GDP per capita	US\$6,679
Inflation rate	3.8% (August 2014)
Interest rate	4.65% (July 2014)
Corporate tax	15% (January 2014)
Sales tax	15% (January 2014)
Currency	Rupee (Rs)
Business language	English
Ease of doing business	20 out of 186 countries
Global competitiveness	39 out of 144 countries



LEASE AGREEMENTS

Term	Leases are normally for 3-5 years with fixed rentals and predetermined rental escalations.
Break clause	Termination or breaks can be served with a notice of normally 3 – 6 months in advance, normally after the first year of the lease agreement. Terms of the break can be negotiated.
Renewal	Renewals are negotiable and both the landlord and the tenant have rights to renew at market related rentals or agreed rentals between the two parties. If an agreement is not reached, matters are referred to arbitration or the fair rent tribunal.
Right to sublet	Parties normally agree that subletting is allowed only with the landlord's consent which cannot be unreasonably withheld.
Option to expand & right of first refusal	Options to expand and the right of first refusal are negotiable.
Late delivery by landlord	Conditions are negotiable.
Holdover by tenant	Holdover is negotiable if specified in the lease agreement.
Signage and naming of building	Signage and the naming of the building will be dependent on the decision made by the body corporate and building management.
Standard lease	Each landlord has their own preferred standard lease agreement.
Laws and practices	There are no specific laws which relate specifically to lease agreements but leases must adhere to the laws of Mauritius.

SPACE MEASUREMENT

Measurement	Areas are quoted in square metres (m ²) and square feet (ft ²).
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Definition	<p>Net internal area</p> <p>Rentable area normally refers to the net internal area and the RICS Code of Measuring Practice definition is normally adopted, i.e. <i>the usable area within a building measured to the internal face of the perimeter walls at each floor level</i> and includes as well as excludes a list of varying parameters, e.g. excludes aspects such as lift rooms, plant rooms, internal structural walls, walls enclosing excluded areas, columns, piers, stairwells, lift-wells, permanent lift lobbies, etc.</p>
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OCCUPATION COSTS

Rent	<p>Rent basis</p> <p>Net rental (+VAT of 15%) + service charges (VAT free).</p> <p>Parking</p> <p>Parking is normally let at a rate per bay per month (+ VAT).</p> <p>Rent quoted</p> <p>Rents are quoted in MUR (Mauritius Rupees)/m² or ft²/month.</p> <p>Rent payable</p> <p>Rent is payable monthly or quarterly in advance.</p> <p>Rent free period</p> <p>Normally one month can be negotiated as a rent free period.</p> <p>Rent escalation</p> <p>Rent escalations are normally based on CPI at approximately 4% or a maximum of 5% annually.</p>
Operating costs	<p>Operating costs, normally known as “service charges”, are paid by the tenant and cover general expenses associated with the running of the building. Typical operating costs amount to 5-7% of the net rent.</p>
Taxes	<p>The landlord pays for municipal taxes. The municipal council levies a tax on all immovable property. No tenant tax is applicable in Mauritius.</p>
Utilities	<p>Electricity and water used inside the rented space is paid by the tenant. Utilities consumed in common areas are included in service charges. For offices located within a complex, electricity and water are paid by the tenant and are metered. Service charges concerning to utilities are paid according to the share of common areas in relation to the area occupied.</p>

Fit-out	The tenant pays for fit-out costs. However, there are cases when the landlord will fit-out the property but the tenant will then be required to pay a higher rental.
Restoration	The landlord pays for repairs and maintenance of the building and common areas. The tenant must restore the premises to its original condition at own cost.
Deposits and/or guarantees	Normally a security deposit equivalent to three months' rent is required.
Parking	Parking is charged separately at a rate per bay per month.
Other occupancy costs	Building insurance is payable by the landlord and the tenant is responsible for insurance costs for covering their own assets inside the let space, public liability and for fire and allied perils.

TRANSACTION COSTS

Brokerage	<p>New leases Landlords normally pay brokers that represent them 1-2 months' rent of the first year's rent. Tenants normally pay brokers that represent them 15-17% of the first year's rent.</p> <p>Renewals Brokerage fees are not charged on renewals.</p>
Legal fees	The landlord pays legal fees for drawing up of the lease agreement.

GENERAL LEASING MARKET

Transparency	Market statistics are not generally available and information such as the names of tenants and conditions in lease agreements are confidential between parties.
Building classification	<p>There are no formal market classifications, however, Broll Indian Ocean uses the following:</p> <p>A-grade Generally not older than 15 years and some of these buildings have had major renovations, offer high quality modern finishes, air-conditioning, adequate on-site parking with high rentals.</p>

Building classification

B-grade

Generally older buildings, but accommodation and finishes are close to modern standards as a result of refurbishments and renovation from time to time, air-conditioning and on-site parking are available, unless special circumstances pertain.

C-grade

Buildings with old style finishes, services and building systems. These buildings may or may not be air-conditioned or have on-site parking.



LEASE AGREEMENTS

Term	Leases are normally for 1, 3 or 5 years with fixed rentals and predetermined rental escalations.
Break clause	Termination or breaks can be served with a notice of normally 3 – 6 months in advance. Terms of the break can be negotiated.
Renewal	Renewals are negotiable and both the landlord and the tenant have rights to renew at market related rentals or agreed rentals between the two parties. If an agreement is not reached, matters are referred to arbitration or the fair rent tribunal.
Right to sublet	Parties normally agreed that subletting is allowed only with the landlord's consent which cannot be unreasonably withheld.
Option to expand & right of first refusal	Options to expand and the right of first refusal are negotiable.
Late delivery by landlord	Conditions are negotiable.
Holdover by tenant	Holdover is negotiable if specified in the lease agreement.
Signage and naming of building	Signage and the naming of the building will be dependent on the decision made by the body corporate and building management.
Standard lease	Each landlord has their own standard lease agreement.
Laws and practices	There are no specific laws which relate specifically to lease agreements but leases must adhere to the laws of Mauritius.

SPACE MEASUREMENT

Measurement	Areas are quoted in square metres (m ²).
Definition	Rentable area Rentable area is normally the net internal area + loading and offloading areas.

OCCUPATION COSTS

Rent	Rent basis Net rental (+VAT of 15%) + service charges (VAT free). Parking Parking is normally free as most industrial properties comprise of a building and a yard which is then used as parking space by the tenant. However, there are very few cases where tenants rent industrial space in an industrial complex and in this case, there are defined parking spaces which are let at a specific rate per bay per month. Rent quoted Rents are quoted in MUR (Mauritius Rupees)/m ² /month. Rent payable Rents are payable monthly in advance or quarterly in advance. Rent free period Normally one month can be negotiated as a rent free period. Rent escalation Rent escalations are normally based on CPI at approximately 4% or a maximum of 5% annually.
Operating costs	Operating costs, normally known as “service charges”, are paid by the tenant and cover general expenses associated with the good running of the building. Typical operating costs amount to 1-3% of the net rent.
Taxes	The landlord pays for municipal taxes. The municipal council levies a tax on all immovable property. No tenant tax is applicable in Mauritius.
Utilities	Electricity and water used inside the space occupied by tenant are paid by the tenant and are normally metered. Service charges concerning utilities are paid according to the share of common areas in relation to the area occupied.
Fit-out	The tenant pays for fit-out costs.

Restoration	The landlord pays for repairs and maintenance of the building and common areas. The tenant must restore the premises to its original condition at own cost.
Deposits and/or guarantees	Normally a security deposit equivalent to two months' rent is required.
Parking	Parking is normally free as most industrial properties comprise of a building and a yard which is then used as parking spaces by the tenant. However, there are very few cases where tenants rent industrial space in an industrial complex and in this case, there are defined parking spaces which are let at a specific rate per bay per month.
Other occupancy costs	Building insurance is payable by the landlord and the tenant is responsible for insurance costs for covering their own assets inside the let space, public liability and for fire and allied perils.

TRANSACTION COSTS

Brokerage	<p>New leases Landlords normally pay brokers that represent them one months' rent of the first year's rent. Tenants normally pay brokers that represent them one months' rent of the first year's rent.</p> <p>Renewals Brokerage fees are not charged on renewals.</p>
Legal fees	The landlord pays legal fees for drawing up of the lease agreement.

GENERAL LEASING MARKET

Transparency	Market statistics are not generally available and information regarding the names of tenants and conditions in lease agreements are confidential between parties
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Building classification

There are no formal market classifications, however, Broll Indian Ocean uses the following:

A-grade

Generally not older than 15 years with good structured concrete buildings, high ceilings, good ventilation from windows and also natural lighting, sufficient spaces for turning circles for trucks, adequate on-site parking, high security and close to motorways.

B-grade

Generally older buildings of over 15-20 years with medium structured buildings, normally with a mix of concrete and corrugated iron sheet structures, sufficient spaces for parking for medium- sized trucks, normal security and close to B-roads.



LEASE AGREEMENTS

Term	Leases are normally for 3-5 years with fixed rentals and predetermined rental escalations.
Break clause	Termination or breaks can be served with a notice period of 3 – 6 months in advance. Terms of the break can be negotiated.
Renewal	Renewals are negotiable and both the landlord and the tenant have rights to renew at market related rental or agreed rentals between the two parties, terms are defined in the lease agreement. If an agreement is not reached, matters are referred to arbitration or the fair rent tribunal.
Right to sublet	Parties normally agree that subletting is allowed only with the landlord's consent which cannot be unreasonably withheld.
Option to expand & right of first refusal	Options to expand and the right of first refusal are negotiable.
Late delivery by landlord	Conditions are negotiable.
Holdover by tenant	Holdover is negotiable if specified in the lease agreement.

Signage and naming of building	Signage and the naming of the building will be dependent on the decision made by the body corporate and building management.
Standard lease	Each landlord has their own standard lease agreement.
Laws and practices	There are no specific laws which relate specifically to lease agreements but leases must adhere to the laws of Mauritius.

SPACE MEASUREMENT

Measurement	Areas are quoted in square metres (m ²) and square feet (ft ²)
Definition	Rentable area normally refers to the net internal area and the RICS Code of Measuring Practice definition is normally adopted, i.e. <i>the usable area within a building measured to the internal face of the perimeter walls at each floor level</i> and includes as well as excludes a list of varying parameters, e.g. excludes aspects such as lift rooms, plant rooms, internal structural walls, walls enclosing excluded areas, columns, piers, stairwells, lift-wells, permanent lift lobbies, etc.

OCCUPATION COSTS

Rent	<p>Rent basis Net rental (+VAT of 15%) + service charges (VAT free).</p> <p>Parking Parking is free of charge for tenants and shoppers.</p> <p>Rent quoted Rents are quoted in MUR (Mauritius Rupees)/m² or ft²/month.</p> <p>Rent payable Rents are payable monthly in advance or quarterly in advance.</p> <p>Rent free period Normally one month can be negotiated as a rent free period.</p> <p>Rent escalation Rent escalations are normally based on CPI at approximately 4% or a maximum of 5% annually.</p>
Operating costs	Operating costs, normally known as “service charges”, are paid by the tenant and cover general expenses associated with the running of the building. Typical operating costs amount to 7-10% of the net rent.

Taxes	The landlord pays for municipal taxes. The municipal council levies a tax on all immovable property. No tenant tax is applicable in Mauritius.
Utilities	The tenant pays for electricity and water usage. Service charges concerning utilities are paid according to the share of common areas in relation to the area occupied.
Fit-out	In general, the tenant pays for all fit-out costs.
Restoration	The landlord pays for repairs and maintenance of the building and common areas. The tenant must restore the premises to its original condition at own cost.
Deposits and/or guarantees	Normally a security deposit equivalent to three months' rent is required.
Parking	Parking is free of charge for tenants and shoppers.
Other occupancy costs	Building insurance is payable by the landlord and the tenant is responsible for insurance costs for covering their own assets inside the let space, public liability and for fire and allied perils.

TRANSACTION COSTS

Brokerage	<p>New leases Landlords normally pay brokers that represent them one months' rent of the first year's rent. Tenants normally pay brokers that represent them one months' rent of the first year's rent.</p> <p>Renewals Brokerage fees are not charged on renewals.</p>
Legal fees	The landlord pays legal fees for drawing up of the lease agreement.

GENERAL LEASING MARKET

Transparency	Market statistics are not generally available and information regarding the names of tenants and conditions in lease agreements are confidential between parties.
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Building classification

There are no formal market classification, however, Broll Indian Ocean uses the following:

A-grade

Generally not older than 15 years with major renovations, offer high quality modern finishes, air-conditioning in common areas, adequate on-site parking with high rentals.

B-grade

Generally older buildings and finishes are close to modern standards as a result of refurbishments and renovation from time to time, air-conditioning and on-site parking are available, unless special circumstances pertain.



NAMIBIA

Broll Office: Zanolmor Building, 2nd Floor,
Post Street Mall, Windhoek

Tel: +26 46 137 4500

Web: www.brollnamibia.com.na

Managing Director: Marco Wenk

Email: marco.wenk@brollnamibia.com.na



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



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>



NIGERIA

Broll Office: 3rd Floor, The Octagon, 13A AJ Marinho Drive, Victoria Island, Lagos

Tel: +234 1 270 1892

Web: www.broll.com.ng

Chief Executive Officer: Bolaji Edu

Email: bedu@broll.com.ng



COUNTRY FACTS

Capital City	Abuja
Population	166 million (2014 estimate)
Unemployment	24% (2012 estimate)
GDP	4.18% (Q2:2014)
GDP per capita	US\$1,098
Inflation rate	8.3% (July 2014)
Interest rate	12% (July 2014)
Corporate tax	30% (January 2014)
Sales tax	5% (January 2014)
Currency	Naira (₦)
Business language	English
Ease of doing business	147 out of 186 countries
Global competitiveness	127 out of 144 countries



LEASE AGREEMENTS

Term	Leases are typically for 2 – 5 years with fixed rentals payable in advance for the entire term or payable in annual instalments.
Break clause	Terminations are rare except occasionally with long-term leases where break clauses are included in the lease agreement.
Renewal	The tenant has a right to renew at market rental rate if specified in the lease agreement at a pre-agreed escalation rate (although not commonly practiced).
Right to sublet	Parties normally agree that subletting is allowed only with the landlord's consent and approval, which is normally not unreasonably withheld.
Option to expand & right of first refusal	The option to expand and right of first refusal are negotiable.
Late delivery by landlord	Should a building not be ready for occupation by the agreed date as set out in the lease, penalties payable by the landlord will be dependent on the conditions stipulated in the contract.
Holdover by tenant	The Lagos State Tenancy Law 2011 applies to both residential and commercial buildings but excludes commercial buildings in Victoria Island, Ikoyi, Apapa and Ikeja G.R.A. In these locations, when there is a holdover after lease expiry, provisions will be negotiated in the lease agreement and the lease will be binding on both parties in court.
Signage and naming of building	Signage and the naming of the building are negotiable and depend on the conditions stipulated in the lease agreement.
Standard lease	Each landlord has their own standard lease.
Laws and practices	Lease agreements shall be governed by and subject to all applicable laws and regulations of the Federal Republic of Nigeria and its courts shall have exclusive jurisdiction in all legal actions and proceedings. In Lagos, leases are subject to the Lagos State Tenancy Law 2011, however, this legislation excludes Victoria Island, Ikoyi, Ikeja Government Reserved Area (G.R.A) and Apapa. In Abuja leases are subject to the Recovery of Premises Act Cap 544 (LFN) Nigeria 1990.

SPACE MEASUREMENT

Measurement	Areas are quoted in square metres (m ²).
Definition	<p>Rentable area</p> <p>Rentable areas are measured according to guidelines set by the Nigerian Institution of Estate Surveyors and Valuers (NIESV) which stipulate that a registered quantity surveyor should certify the measurement of rentable area. These rentable areas are defined as net and typically exclude stairs and lifts shafts.</p>

OCCUPATION COSTS

Rent	<p>Rent basis – Net leases</p> <p>These are the norm and are generally found in multi-tenanted properties. With net leases, the tenant pays net rental and all operating expenses including utility charges and service charges are calculated as a separate charge and paid to the landlord or the property manager.</p> <p>Parking</p> <p>Parking is very limited in most commercial zones. As a result, charges may be applied to designated corporate occupiers but no industry standard exists for costs.</p> <p>Rents quoted</p> <p>Rents are generally quoted in Nigerian Naira (₦) or US\$/m²/annum.</p> <p>Rent payable</p> <p>Rents are payable annually or two to three years in advance. All rentals quoted exclude VAT payable of 5%, which is charged on commercial properties and a Withholding Tax of 10%.</p> <p>Rent free period</p> <p>Not usual but it is a slowly developing trend.</p> <p>Rent escalation</p> <p>Rental escalations in leases are subject to periodic reviews. They are typically market driven while operating cost escalations are driven by inflation.</p>
Operating costs	<p>Operating costs, also known as “service charges”, are calculated as a separate charge and are payable by the tenant to the landlord or the property manager. Generally, service charges cover general maintenance, cleaning, security, maintenance of backup generator and other plants, insurance, statutory rates and the building management fee.</p>

Operating costs	<p>Operating costs vary across the country, with Lagos charging the highest amounts.</p> <p>In most cases, due to fluctuations in prices and usage rates, tenants contribute to a separate diesel fund for the provision of backup power via a generator usually payable every quarter. Cost is based on consumption.</p>
Taxes	Property taxes are applied to both the landlord and the tenant. These taxes are composed of Ground Rent and Land Use charges which are the responsibility of the landlord and Tenement Rates which the tenant is responsible for.
Utilities	Water, electricity, gas rates, refuse disposal etc. are paid by the tenants. The charging system is usually based on how the building service management system is structured. As there is no specific benchmark, it is on a case by case basis.
Fit-out	Typically, spaces are delivered in finished condition but still require tenants to complete a full fit-out and internal partitioning. The tenant generally bears responsibility for the full fit-out of the premises. The landlord rarely provides turnkey options or fit-out allowances.
Restoration	The landlord undertakes repairs and maintenance of the property. The tenant bears the cost of leaving the premises in its original condition, fair wear and tear accepted, upon vacating the premises.
Deposits and/or guarantees	Not typical practice in the office market.
Parking	Parking is very limited in most commercial zones. As a result, charges may be applied to designated corporate occupiers but no industry standard exists for costs.
Other occupancy costs	<p>Building insurance</p> <p>Insurance cost is borne by the landlord where a policy is taken to insure the building against fire and other normal risks. In addition, the tenant is required to take out insurance to cover damages to internal fixtures and fittings as well as contents within their respective spaces.</p>

TRANSACTION COSTS

Brokerage	Tenants bear the responsibility of paying all brokerage fees for a transaction. This includes fees for brokers that represent them and also the fee for the landlord's brokers, in cases where the landlord has retained one. Landlords rarely appoint brokers on an exclusive basis.
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Brokerage	<p>New leases</p> <p>Typical fees are usually 5-10% of total rental amount although international tenants are starting to push back on this. As a result, some tenants request that fees be applicable to just the first year's rent.</p> <p>Renewals</p> <p>No agency fees are paid for renewals and most renewals are negotiated between the existing tenant and the landlord. In some cases, tenants retain a broker to negotiate their renewals. In this instance a 5-10% fee on the total rental amount negotiated is applicable.</p>
Legal fees	The tenant normally pays for legal costs for drawing up of the lease agreement and this can sometimes range from 5% to 10% of the rental consideration.

GENERAL LEASING MARKET

Transparency	Market publications on the real estate market are largely unavailable and transactional data is not shared among real estate professionals, thus transparency is limited.
Building classification	No formal building classifications exist.



LEASE AGREEMENTS

Term	Leases are typically for a 2 – 5 year term with fixed rentals payable in advance for the entire term or payable in annual instalments.
Break clause	Terminations are rare except occasionally with long-term leases where break clauses are included in the lease agreement. Warehouse space is scarce and so tenants usually hold onto space as long as they can.
Renewal	The tenant has a right to renew at market rental rate if specified in the lease agreement.
Right to sublet	Parties normally agree that subletting is allowed only with the landlord's consent.

Option to expand & right of first refusal	Warehouse spaces are typically for single-tenant occupancy and thus options to expand and rights of first refusal are generally not applicable.
Late delivery by landlord	Should a building not be ready for occupation by the agreed date as set out in the lease, penalties will be dependent on the conditions stipulated in the contract.
Holdover by tenant	The Lagos State Tenancy Law 2011 applies to both residential and commercial buildings but excludes commercial buildings in Victoria Island, Ikoyi, Apapa and Ikeja G.R.A. In these locations, when there is a holdover after lease expiry, provisions will be negotiated in the lease agreement and the lease will be binding on both parties in court.
Signage and naming of building	Building signage and naming are negotiable and depend on the conditions stipulated in the lease agreement.
Standard lease	Each landlord has their own standard lease.
Laws and practices	<p>Lease agreements shall be governed by and subject to all applicable laws and regulations of the Federal Republic of Nigeria and its courts shall have exclusive jurisdiction in all legal actions and proceedings.</p> <p>In Lagos, leases are subject to the Lagos State Tenancy Law 2011, however, this legislation excludes Victoria Island, Ikoyi, Ikeja Government Reserved Area (G.R.A) and Apapa. In Abuja leases are subject to the Recovery of Premises Act Cap 544 (LFN) Nigeria 1990.</p>

SPACE MEASUREMENT

Measurement	Areas are quoted in square feet (ft²).
Definition	<p>Rentable area</p> <p>Rentable areas are measured according to guidelines set by the Nigerian Institution of Estate Surveyors and Valuers (NIESV) which stipulate that a registered quantity surveyor should certify the measurement of rentable area. These rentable areas are defined as net and they typically exclude stairs and lifts shafts.</p>

OCCUPATION COSTS

Rent	<p>Rent basis - Net leases Net leases are the norm and the tenant pays net rental to the landlord. Warehouse spaces are typically not serviced by the landlord. All other operating expenses including utility charges are the sole responsibility of the tenant.</p> <p>Parking Parking comes with the warehouse space and does not incur an additional cost.</p> <p>Rents quoted Rents are generally quoted in Nigeria Naira (₦)/ft²/annum.</p> <p>Rent payable Rents are payable in advance for the entire lease term which can range from 2 to 5 years. However, lease terms are usually 2 years. All rentals quoted exclude VAT of 5% which is charged on commercial properties and Withholding Tax of 10% which are payable by the tenant.</p> <p>Rental concessions, rent free periods and rent escalations are not typically practiced.</p>
Operating costs	Operating costs, also known as “service charges”, are the sole responsibility of the tenant. The tenant provides general maintenance, security, backup generators and all utilities for the space.
Taxes	Property Taxes are applied to both the landlord and the tenant. These taxes are composed of Ground Rent and Land Use charges, which are the responsibility of the landlord and Tenement Rates which the tenant pays for.
Utilities	Water rates, electricity rates, gas rates, refuse disposal, as well as other assessments are paid by the tenants.
Fit-out	Typically, spaces are delivered unimproved and the tenant bears responsibility for the full fit-out of the premises. Landlords rarely provide turnkey options or fit-out allowances.
Restoration	The tenant bears the cost of leaving the premises in its original condition, fair wear and tear accepted.
Deposits and/or guarantees	Not typical practice in the industrial market.
Parking	Parking comes with the warehouse space and does not incur an additional cost.

Other occupancy costs	<p>Building insurance</p> <p>Insurance cost is borne by the landlord where a policy is taken to insure the building against fire and other normal risks. In addition, the tenant is required to take out insurance to cover damages to contents within their respective spaces.</p>
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TRANSACTION COSTS

Brokerage	<p>Tenants are responsible for all agency fees related to the leasing of space. The tenant pays their broker and in the case where the landlord has a broker, this broker is also paid by the tenant.</p> <p>New leases</p> <p>Typical fees are usually 5-10% of total rental amount paid.</p> <p>Renewals</p> <p>No agency fees are paid for renewals and most renewals are negotiated between the existing tenant and the landlord. In some cases, tenants retain a broker to negotiate their renewals. In this instance, a 5-10% fee on the total rental amount negotiated is applicable and payable by the tenant.</p>
Legal fees	<p>The tenant normally pays for legal costs for drawing up of the lease agreement and this can sometimes range from 5% to 10% of the rental consideration.</p>

GENERAL LEASING MARKET

Transparency	<p>Market publications on the real estate market are largely unavailable and transactional data is not shared among real estate professionals.</p>
Building classification	<p>No formal building classification exists.</p>



LEASE AGREEMENTS

Term	Lease durations are typically 2 – 5 years, with fixed rentals and predetermined annual escalations.
Break clause	Termination or breaks occur only with long-term leases such as 10 years. Such leases usually exist with anchor tenants.
Renewal	The tenant has an option to renew at the approved rate by the landlord and if specified in the lease agreement.
Right to sublet	The tenant is not permitted to sublet the whole or any part of the premises unless with the prior written consent of the landlord. Consent is at the sole discretion of the landlord and can be refused or granted subject to such conditions as the landlord may deem fit.
Option to expand & right of first refusal	The option to expand and right of first refusal are negotiable.
Late delivery by landlord	Should a shop not be ready for occupation by the agreed date as set out in the lease, penalties will be dependent on the conditions stipulated in the contract. These conditions are negotiable.
Holdover by tenant	The Lagos State Tenancy Law 2011 applies to both residential and commercial buildings but excludes commercial buildings in Victoria Island, Ikoyi, Apapa and Ikeja G.R.A. In these locations, when there is a holdover after lease expiry, provisions will be negotiated in the lease agreement and the lease will be binding on both parties in court.
Signage and naming of building	Tenant signage installation depends on the conditions stipulated in tenant criteria document. However, typically, the tenant can only affix, attach or hang any signs, nameplates, plaques, boards, notices or legends on the leased premises with the consent of the landlord.
Standard lease	Each landlord has their own standard lease.

Laws and practices	<p>Lease agreements shall be governed by and subject to all applicable laws and regulations of the Federal Republic of Nigeria and its courts shall have exclusive jurisdiction in all legal actions and proceedings. In most cases, arbitration is requested as a first option to resolve disagreements. No specific laws exist for commercial retail developments.</p> <p>In Lagos, leases are subject to the Lagos State Tenancy Law 2011, however, this legislation excludes Victoria Island, Ikoyi, Ikeja Government Reserved Area (G.R.A) and Apapa where most commercial properties are located. In Abuja leases are governed by Recovery of Premises Act Cap 544 (LFN) Nigeria 1990.</p>
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SPACE MEASUREMENT

Measurement	<p>Areas are quoted in square metres (m²).</p>
Definition	<p>Rentable area</p> <p>Most A-grade retail developments in Nigeria are measured according to the guidelines set out by the South African Property Owners Association (Sapoa) Method of Measuring Floor Areas in Commercial and Industrial Buildings.</p> <p>Essentially, this covers the entire floor, excluding major vertical penetrations of the floor such as stairs, pipe shafts and vertical ducts. Although office guidelines are set by the Nigerian Institution of Estate Surveyors and Valuers, there are no such guidelines that exist for retail developments, as such, most of the concepts and designs for Nigerian malls are completed by South African companies who apply the Sapoa method.</p>

OCCUPATION COSTS

Rent	<p>Rent basis - Net leases</p> <p>Rental amounts are exclusive of operating expenses, utilities and property taxes which are quoted and paid separately.</p> <p>Seating areas</p> <p>Designated seating areas especially for the food and beverage tenants are charged at a range based on one-quarter (¼) to one-third (⅓) of net rent in addition to operating costs for the space allocated. However, for common seating areas the rate charged is on pro-rata basis usually on the operating cost amount and not on the net rental amount.</p>
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<p>Rent</p>	<p>Storage If storage areas are provided, there are rental and operating costs charged to these areas.</p> <p>Parking Parking is provided in open areas, with charges being determined by the landlord but in most cases parking is free. Additionally, the tenant is not entitled to any exclusive parking bays in the parking area and operating costs are not applicable to parking.</p> <p>Rents quoted Generally, rents are quoted as net rents in US\$/m²/month, but may be payable in Nigerian Naira (₦) at the prevailing exchange rate.</p> <p>Rent payable The total rental consideration is payable quarterly or annually in advance. The preferred option is indicated by the tenant. All rentals exclude VAT and include Withholding Tax. The tenant is expected to pay Withholding Tax (10%) and VAT (5%) on the rent. Rent is payable from the lease commencement date.</p> <p>Rent free period Rent free periods are usually the beneficial occupation period when the tenants are fitting out their shops. Concessionary rent (free rent) is not usual, but in certain instances one month may be negotiated with the landlord's consent.</p> <p>Rent escalation Most leases provide for annual rental escalation. Rental escalations are typically at 5% per annum while operating cost escalations are typically at 5% per annum but subject to the inflation rate.</p>
<p>Operating costs</p>	<p>Operating costs, also known as “service charges”, generally cover all landlord expenses: maintenance, cleaning of the common areas, refuse disposal, fumigation, sewage dislodgement, repairs, security, etc. They do not include utility charges (electricity, water, gas, telephone, internet services).</p> <p>In addition to the net rent payable, the tenant will pay an amount quarterly in advance as service charges. This is an agreed charge to reimburse the landlord for a proportion of the operating expenses of the mall equal to the proportion of the total building let to the tenant. Operating costs are often charged separately from the net rent in the lease agreement in order to enable the application of separate escalation rates to the service charge and to the net rent.</p>

Operating costs	In the event that the tenant's proportional cost incurred by the landlord in providing the above services is higher than the said amount, the tenant will reimburse any reasonable and auditable shortfall to the landlord upon receipt of a written statement of account. Any overpayment by the tenant shall be credited to the tenant's account by the landlord.
Taxes	In general, property taxes are the responsibility of the owner/landlord. However, this can vary by landlord and in very few cases tenants are required to pay a portion of the property tax known as the Tenement Rates. Property taxes constitute of Land Use charges, Ground Rents and Tenement Rates.
Utilities	Utility charges are not included in service charges. Utility charges include costs for water and electricity and are metered for the area occupied or recovered separately from service charges according to the percentage of the area occupied.
Fit-out	Fit-out costs are borne solely by the tenant. The tenant will fit-out the premises in the exact fashion, scope and style reflected in their approved drawings, also based within the parameters as set out in the tenant criteria document. The landlord does not contribute to fit-out costs except in very rare cases or for anchors and sub-anchors as a concession.
Restoration	<p>Upon termination of the lease, the tenant restores the premises to its original condition, fair wear and tear accepted, and in the format of the original specification that the tenant obtained the premises, i.e. the premises will be restored to the 'shell' provided by the landlord prior to shop fitting by the tenant.</p> <p>In addition, the landlord shall have no rights to any of the shop fitting, equipment or assets of the tenant, all of which the tenant shall be entitled to remove from the premises upon termination of the lease.</p>
Deposits and/or guarantees	<ul style="list-style-type: none"> • 3 month's gross rent of the last quarter of the lease period serves as security deposit. As an alternative to the security deposit, the tenant will be required to provide a bank guarantee from a reputable bank for the total sum of the rental for the last quarter of the initial lease term. • A service charge deposit equal to the service charge of the last quarter of the initial lease period is payable by the tenant. • In addition, the tenant pays an initial rent and service charge amount for the first 3 months of the lease in advance, on or before the possession date. • One month's rent for the first year of the lease period serves as fit-out deposit payable by the tenant.

Parking	Parking is provided in open areas. With charges being determined by the landlord but in most cases parking is free. Additionally, the tenant is not entitled to any exclusive parking bays in the parking area and operating costs are not applicable to parking.
Other occupancy costs	<p>Management fees Property management fees are generally a percentage of all gross tenant collections (including VAT and Withholding Tax and encompass collections received from parking, operating costs, exhibitions and advertising). Tenant collections exclude tenant security deposits but include common area maintenance, parking, marketing and utility income recovered in terms of the lease agreement.</p> <p>Building insurance Insurance cost is borne by the landlord where a policy is taken to insure the building against fire and other normal risks. In addition, the tenant is required to take out insurance to cover damages to internal fixtures and fittings as well as contents within their respective spaces.</p>

TRANSACTION COSTS

Brokerage	<p>The landlord is typically responsible for the brokerage fees. Brokerage fees are levied on the gross rentals which include net rentals, operating costs and rates and taxes charged to the tenants in the lease agreement but exclude utility charges.</p> <p>New leases The landlord typically pays their broker a leasing fee which ranges from 1 -1.5 months of average gross rent. Sometimes there is room for negotiation on this fee based on the length of the lease term. Fees are subject to VAT (5%).</p> <p>Renewals In the majority of cases where the landlord contracts a management company, renewals and rent reviews are included in the lease agreement and an agreed upon management fee is payable to the property manager by the landlord.</p>
Legal fees	The legal fees for preparing the lease agreement and other disbursements will be borne by the tenant. This is a once-off payment payable upon signature of the execution of offer / lease agreement.

GENERAL LEASING MARKET

Transparency	Statistics and publications are generally not available and retail data is limited. Terms of deals for malls are typically not shared
Building classification	No formal classifications exist for retail buildings.



RWANDA

Broll Office: 8th Floor, Grand Pension Plaza,
Boulevard De La Paix, Nyarugenge, Kigali

Tel: +250 (0) 78 745 0211

Web: www.broll.co.rw

Chief Executive Officer: Mike Visser

Email: mvisser@broll.co.rw



COUNTRY FACTS

Capital City	Kigali
Population	11.7 million (2014 estimate)
Unemployment	3.4% (2013)
GDP	9.9% (Q2:2014)
GDP per capita	US\$388
Inflation rate	0.9% (August 2014)
Interest rate	6.5% (July 2014)
Corporate tax	30% (January 2014)
Sales tax	18% (January 2014)
Currency	Franc (RF)
Business language	English/French
Ease of doing business	32 out of 186 countries
Global competitiveness	62 out of 144 countries



LEASE AGREEMENTS

Term	Leases are typically for 2 to 3 years with no fixed rental escalations. Rentals are reviewed upon renewal.
Break clause	It is not customary to allow break clauses.
Renewal	All leases are renewable at market related rentals and most leases will have that stipulation. If not, the lease agreement will remain renewable unless the landlord gives notice otherwise.
Right to sublet	Subletting is allowed only with the landlord's prior permission and subject to the original tenant remaining liable.
Option to expand & right of first refusal	Very rarely included.
Late delivery by landlord	Landlord dictates and does not allow penalties imposed on himself for late delivery.
Holdover by Tenant	If a tenant remains in occupation after expiry of the lease, the lease agreement will remain in force on a month-to-month basis until formally renewed or until one party gives notice to the other party. The rental terms will remain unchanged unless agreed otherwise by mutual consent.
Signage and naming of building	Only if the building is occupied by a single tenant and this is subject to landlord and local authority approval.
Standard lease	Landlords have their own standard lease agreements and no lease management fees are payable by the tenant. The lease terms are basically prescribed by the landlord with little room to negotiate.
Laws and practices	There are no specific laws which relate specifically to leases but lease agreements must adhere to the laws of Rwanda.

SPACE MEASUREMENT

Measurement	Gross lettable areas are measured in square metres (m ²).
Definition	No standard definitions are available in the local market.

OCCUPATION COSTS

Rent	<p>Rent basis Gross rental amounts are inclusive of service charges and VAT (18%) but exclude the cost of metered electricity and water.</p> <p>Parking Parking is charged separately at a specific rate/bay/month excluding VAT for unreserved but guaranteed parking spaces.</p> <p>Rents quoted Rents are quoted in Rwandan Franc or US\$/m²/month.</p> <p>Rents payable Rents and parking charges are payable quarterly in advance.</p> <p>Rent free period A rent free period is negotiable and the landlord may allow a rental grace period to facilitate the fit-out especially if beneficial occupation is granted to the tenant before the building complex is open for trading.</p> <p>Rent escalation There are no fixed rental escalations, rentals are reviewed upon renewal.</p>
Operating costs	In some instances, operating costs are calculated and labelled “service charges”, this charge is usually included in the gross rental amount. Operating costs for new high-rise office buildings typically consist of cleaning, security, general maintenance, standby generator costs, lift maintenance, fire-fighting and detection, common area utilities, insurance premiums, waste water treatment and landscaping.
Taxes	Property taxes are levied by the local authority but this charge is not recoverable from the tenants separately. The tax is fully absorbed by the landlords.
Utilities	These charges are recovered either on a metered or pro-rata basis.
Fit-out	The landlord provides a standard floor, ceiling and lighting but any additional fit-out costs are for the tenant's account, including anchor tenants. A rent free period is negotiable and the landlord may allow a rental grace period to facilitate the fit-out especially if beneficial occupation is granted to the tenant before the building complex is open for trading.

Restoration	Landlord assumes obligation for exterior and structural maintenance of the property and the tenant is responsible for the internal maintenance of the rented space. Upon vacating the premises the tenant is responsible for restoring the premises to its original condition, fair wear and tear accepted.
Deposits and/or guarantees	Two month's rent is required as a cash deposit.
Parking	Parking charges are specified separately from rental at a rate/bay/month excluding VAT for unreserved but guaranteed parking spaces. Visitors pay for their own parking if charges are incurred.

TRANSACTION COSTS

Brokerage	<p>New leases</p> <p>If a landlord has appointed a broker or a property manager, commission is usually payable at half a month's rental for a 1 year lease, 1 month's rental for a two year lease, one and a half month's rental for a three year lease and two month's rental for a four year lease, maximum, payable by the landlord.</p> <p>Renewals</p> <p>On lease renewals, if a landlord has appointed a property manager, the fee is negotiated to be between 25% and 50% of the commission tariff for new leases payable by the landlord.</p>
Legal fees	A standard agreement is normally used by the landlord and no legal fees are payable by the tenant.

GENERAL LEASING MARKET

Transparency	There are no formal market statistics or formal data for vacancies, rental levels, rental growth patterns, yields etc. thus transparency is limited and terms of deals are not shared.
Building classification	No formal grading system is in place.



LEASE AGREEMENTS

Term	Leases are typically for 2 to 3 years with no fixed escalations. Rentals are reviewed upon renewal.
Break clause	It is not customary to allow break clauses.
Renewal	All leases are renewable at market related rentals and most leases will have that stipulation. If not, the lease agreement will remain renewable unless the landlord gives notice otherwise.
Right to sublet	Subletting is allowed only with the landlord's prior permission and subject to the original tenant remaining liable.
Option to expand & right of first refusal	Very rarely included.
Late delivery by landlord	Landlord dictates and does not allow penalties imposed on himself for late delivery.
Holdover by Tenant	If a tenant remains in occupation after expiry of the lease, the lease agreement will remain in force on a month-to-month basis until formally renewed or until one party gives notice to the other party. The rental terms will remain unchanged unless agreed otherwise by mutual consent.
Signage and naming of building	Only if the building is occupied by a single tenant and this is subject to landlord and local authority approval.
Standard lease	Landlords have their standard lease agreements. The lease terms are basically prescribed by the landlord with little room to negotiate.
Laws and practices	There are no specific laws which relate specifically to leases but lease agreements must adhere to the laws of Rwanda.

SPACE MEASUREMENT

Measurement	Gross lettable areas are measured in square metres (m ²).
Definition	No standard definitions are available in the local market.

OCCUPATION COSTS

Rent	<p>Rent basis Net rental amounts are inclusive of VAT (18%) but exclude the cost of metered electricity and water.</p> <p>Parking In a multi-tenanted complex, the landlord allocates the number of parking bays per unit. These parking bays are free of charge.</p> <p>Rents quoted Rents are quoted in Rwandan Franc or US\$/m²/annum.</p> <p>Rents payable Rents are payable quarterly, semi-annually or annually in advance.</p> <p>Rent free period A rent free period is negotiable and the landlord may allow a rental grace period to facilitate the fit-out especially if beneficial occupation is granted to the tenant before the building complex is open for trading.</p> <p>Rent escalation There are no fixed rental escalations, rentals are reviewed upon renewal.</p>
Operating costs	Operating costs are not applicable for industrial spaces, the tenant is responsible for any necessary operating expenses.
Taxes	Property taxes are levied by the local authority but this charge is not recoverable from the tenants separately. The tax is fully absorbed by the landlords.
Utilities	These charges are recovered either on a metered or pro-rata basis.
Fit-out	The landlord will provide a standard unit unless the unit is built to the specifications of the tenant upfront. All additional fit-out costs are normally for the tenant's account, terms remain negotiable.
Restoration	Landlord assumes obligation for exterior and structural maintenance and the tenant is responsible for internal maintenance of the rented space. Upon vacating the premises the tenant is responsible for restoring the premises to its original condition, fair wear and tear accepted.
Deposits and/or guarantees	One month's rent is required as a cash deposit.

Parking	In a multi-tenanted complex, the landlord allocates the number of parking bays per unit. These parking bays are free of charge.
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TRANSACTION COSTS

Brokerage	<p>New leases</p> <p>If a landlord has appointed a broker or a property manager, commission is usually payable at half a month's rental as commission for a 1 year lease, 1 month's rental for a two year lease, one and a half month's rental for a three year lease and two month's rental for a four year lease, maximum payable by the landlord.</p> <p>Renewals</p> <p>On lease renewals, if a landlord has appointed property manager, the fee is negotiated to be between 25% and 50% of the commission tariff for new leases, payable by the landlord.</p>
Legal fees	A standard agreement is normally used by the landlord and no legal fees are payable by the tenant.

GENERAL LEASING MARKET

Transparency	No formal market statistics exist and there is no data for vacancies, rental levels, rental growth patterns, yields etc.
Building classification	No formal grading system is in place.



LEASE AGREEMENTS

Term	Leases are typically for 2 to 3 years with no fixed rental escalations. Rentals are reviewed upon renewal.
Break clause	It is not customary to allow break clauses.
Renewal	All leases are renewable at market related rentals and most leases will have that stipulation. If not, the lease will remain renewable unless the landlord gives notice otherwise.

Right to sublet	Subletting is allowed only with the landlord's prior permission and subject to the original tenant remaining liable.
Option to expand & right of first refusal	Very rarely included.
Late delivery by landlord	Landlord dictates and does not allow penalties imposed on himself for late delivery.
Holdover by tenant	If a tenant remains in occupation after expiry of the lease, the lease agreement will remain in force on a month-to-month basis until formally renewed or until one party gives notice to the other party. The rental terms will remain unchanged unless agreed otherwise by mutual consent.
Signage and naming of building	Only if the building is occupied by a single tenant and this is subject to landlord and local authority approval.
Standard lease	Landlords have their own standard lease agreements. The lease terms are basically prescribed by the landlord with little room to negotiate.
Laws and practices	There are no specific laws which relate specifically to leases but lease agreements must adhere to the laws of Rwanda.

SPACE MEASUREMENT

Measurement	Gross lettable areas are measured in square metres (m ²).
Definition	No standard definitions are available in the local market.

OCCUPATION COSTS

Rent	<p>Rent basis Gross rental amounts are inclusive of service charges and VAT (18%) but exclude the cost of metered electricity and water.</p> <p>Parking Parking charges are payable separately at specific rate/bay/month excluding VAT for unreserved but guaranteed parking spaces.</p> <p>Rents quoted Rents are quoted in Rwandan Franc or US\$/m²/month.</p> <p>Rents payable Rents are payable quarterly in advance.</p>
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Rent	<p>Rent free period A rent free period is negotiable and the landlord may allow a rental grace period to facilitate the fit-out especially if beneficial occupation is granted to the tenant before the building complex is open for trading.</p> <p>Rent escalation There are no fixed rental escalations, rentals are reviewed upon renewal</p>
Operating costs	In some instances, operating costs are calculated and labelled “service charges”, this charge is usually included in the gross rental amount. Operating costs typically consist of cleaning, security, general maintenance, etc.
Taxes	Property taxes are levied by the local authority but this charge is not recoverable from the tenants. The tax is fully absorbed by the landlords.
Utilities	These charges are recovered either on a metered or pro-rata basis.
Fit-out	The landlord provides a standard floor, ceiling, lighting and a shop front but any additional fit-out costs are for the tenant's account, including anchor tenants. A rent free period is negotiable and the landlord may allow a rental grace period to facilitate the fit-out especially if beneficial occupation is granted to the tenant before the building complex is open for trading.
Restoration	Landlord assumes obligation for exterior and structural maintenance and the tenant is responsible for internal maintenance of the rented space. Upon vacating the premises the tenant is responsible for restoring the premises to its original condition, fair wear and tear accepted.
Deposits and/or guarantees	Two month's rent is required as a cash deposit.
Parking	Parking charges are payable separately at specific rate/bay/month excluding VAT for unreserved but guaranteed parking spaces. Visitors and shoppers pay for their own parking if charges are incurred.

TRANSACTION COSTS

Brokerage	<p>New leases If a landlord has appointed a broker or a property manager, commission is usually payable at half a month's rental as commission for a 1 year lease, 1 month's rental for a two year lease, one and a half month's rental for a three year lease and two month's rental for a four year lease, maximum payable by the landlord.</p>
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Brokerage	Renewals On lease renewals, if a landlord has appointed property manager, the fee is negotiated to be between 25% and 50% of the commission tariff for new leases, payable by the landlord
Legal fees	A standard agreement is normally used by the landlord and no legal fees are payable by the tenant.

GENERAL LEASING MARKET

Transparency	No formal market statistics exist and there is no data on rental levels, vacancies, rental growth patterns, yields etc.
Building classification	No formal grading system is in place.

SOUTH AFRICA



Broll Head Office: 27 Fricker Road, Illovo, Johannesburg

Tel: +27 11 441 4000

Web: www.broll.com

Group Chief Executive Officer: Malcolm Horne

Email: mhorne@broll.co.za



COUNTRY FACTS

Capital City	Pretoria
Population	52.9 million (2014 estimate)
Unemployment	25.5% (Q2:2014)
GDP	0.6% (Q2:2014)
GDP per capita	US\$5,916
Inflation rate	6.3% (July 2014)
Interest rate	9.25% (July 2014)
Corporate tax	28% (January 2014)
Sales tax	14% (January 2014)
Currency	Rand (R)
Business language	English
Ease of doing business	41 out of 186 countries
Global competitiveness	56 out of 144 countries



LEASE AGREEMENTS

Term	Leases are typically for 3 – 5 years with fixed rentals and predetermined annual escalations.
Break clause	Termination or breaks are rare, except occasionally with long-term leases such as 10 years.
Renewal	The tenant generally has the right to renew at the market rental rate if specified in the lease agreement. Options to renew are usually granted to large corporates or national/anchor tenants.
Right to sublet	Parties normally agree that subletting is allowed only with the landlord's consent which cannot be unreasonably withheld.
Option to expand & right of first refusal	The option to expand and right of first refusal are negotiable.
Late delivery by landlord	Should a building not be ready for occupation by the agreed date as set out in the lease, penalties will be dependent on the conditions stipulated in the contract. These conditions are negotiable.
Holdover by tenant	Holdover by tenant is negotiable and will depend on the conditions stipulated in the contract.
Signage and naming of building	Signage and the naming of the building are negotiable and depend on the conditions stipulated in the contract. Naming rights are limited to single tenant occupied properties on long term leases.
Standard lease	Each landlord has their own preferred standard lease agreement.
Laws and practices	Lease agreements are governed within the legal frameworks of the South African property law and law of contracts. While this legislation provides a base and framework for lease agreements, parties negotiate the terms of the lease in an open market format between willing landlord and willing tenant.

SPACE MEASUREMENT

Measurement	Areas are quoted in square metres (m ²).
Definition	<p>Rentable area</p> <p>This is 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> <ul style="list-style-type: none"> Gross leases Net rental, operating expenses and property taxes known as assessment rates, are included in the rental amount for leases in multi-tenant buildings and three to five year leases and all other charges are separately recovered. Net leases Net leases generally apply on single-tenanted properties with strong tenant profiles and where leases are for five or more years. With net leases, the tenant pays net rental plus all property expenses. <p>Parking</p> <p>Parking is charged separately at a rate per bay per month.</p> <p>Rents quoted</p> <p>Generally, rents in South Africa are quoted as gross rents in Rand (ZAR or R)/m²/month. However, gross may or may not include assessment rates recovery.</p> <p>Rent payable</p> <p>Rents are payable monthly in advance. All rentals exclude VAT payable of 14%. Landlords generally split their rental into a net rental plus operating costs plus assessment rates.</p> <p>Rent free period</p> <p>Rent free periods are not usual, but in certain instances an equivalent of one month's rental may be negotiated or in lieu of tenant installation contribution.</p>
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Rent	<p>Rent escalation</p> <p>Most lease agreements provide for annual rental escalations. Rental and operating cost escalations are driven by market, investment return and quite often, linked to cost of capital and/or development or investment feasibility, and are not related to the inflation rate. Current average rental escalation rates are approximately 8% – 10% per annum.</p>
Operating costs	<p>Operating costs, sometimes known as “op costs”, are often charged separately from net rent in the lease. The sum of net rent and operating costs is equivalent to the gross rent. The purpose of the split is to enable the application of separate escalation rates to the operating costs and to the basic rent. The escalation rate applied to operating cost is generally higher than the rate applied to the net rent.</p> <p>Operating costs generally cover all landlord expenses inter alia: maintenance, management costs, cleaning of the common areas, security, common area utility charges, insurance, assessment rates and any park levies.</p>
Taxes	<p>Property taxes are known as “assessment rates” or “rates”. These rates are payable by the property owner and may or may not be fully recovered through the operating costs and/or a direct rates recovery and depend on the terms negotiated. Rates payable are based on a municipal value of the land and improvements.</p>
Utilities	<p>Water and electricity are metered for the area occupied or, if not metered, recovered according to the percentage of the area occupied. Sewerage charges are levied at a pro-rata of the water charge and refuse is recovered per consumption.</p>
Fit-out	<p>The landlord generally provides an acceptable “shell” to a reasonable standard to meet the tenant's requirements with standard carpeting, partitioning, ceilings and wall finishes, or provides an equivalent contribution toward the cost.</p> <p>In addition, for A-grade office buildings and large corporates, a landlord may also contribute towards the tenant's fit-out costs depending on the length of the lease. The value of contribution is calculated on rental and lease period.</p> <p>Contributions are also provided for B-grade and lower office quality grades but at lower rates and values.</p>
Restoration	<p>The landlord undertakes repairs and maintenance of the exterior and the structure of the building and common areas. The tenant traditionally bears the cost of internal repairs and maintenance and reinstating the premises to their original condition, fair wear and tear accepted at the end of the lease term.</p>

Deposits and/or guarantees	Deposits average +/- 2–3 months' rent, depending on the tenant's credit rating, risk profile and payment history.
Parking	<p>Parking is provided in basement, shaded and open areas and is charged at a rate per bay per month, escalating in line with rentals. Operating costs are not applicable to parking rentals.</p> <p>Different rates will be applicable for covered, open, shaded or basement parking bays and the Cape Town CBD has some of the highest parking rates in the country. Generally, a ratio of 4 or 5 bays per 100m² of GLA is provided.</p>
Other occupancy costs	<p>Management fees Fees to manage office property are a percentage of total receipts, and depend on the complexity of the revenue stream and number of tenants.</p> <p>Insurance It is common practice for landlords to insure the structure and against public liability claims. There is an increasing trend for landlords to take insurance cover for loss of rental. Tenants are traditionally required to take out insurance for the contents of the leased premises, business risk (inclusive of rental commitment cover) and public liability cover within the leased premises.</p>

TRANSACTION COSTS

Brokerage	<p>Landlords usually pay brokerage fees to brokers that represent them or introduce tenants, but rarely appoint brokers on an exclusive basis. Tenant representation services are beginning to emerge and be entrenched in the market. Tenants represented by brokers will be responsible for the commission payment thereof.</p> <p>Brokerage fees outlined below are levied on the gross rental including parking.</p> <p>New leases The generally accepted structure of brokerage payment in South Africa is 75% to 100% of the tariff structure below:</p> <table border="1"> <tr> <th>Year of lease agreement</th><th>Sliding scale tariff</th></tr> <tr> <td>Year 1</td><td>5.0% of annual gross rental</td></tr> <tr> <td>Year 2</td><td>5.0% of annual gross rental</td></tr> <tr> <td>Year 3 to 5</td><td>2.5% of annual gross rental</td></tr> <tr> <td>Year 6 to 8</td><td>1.5% of annual gross rental</td></tr> <tr> <td>Year 9 onwards</td><td>1.0% of annual gross rental</td></tr> </table>	Year of lease agreement	Sliding scale tariff	Year 1	5.0% of annual gross rental	Year 2	5.0% of annual gross rental	Year 3 to 5	2.5% of annual gross rental	Year 6 to 8	1.5% of annual gross rental	Year 9 onwards	1.0% of annual gross rental
Year of lease agreement	Sliding scale tariff												
Year 1	5.0% of annual gross rental												
Year 2	5.0% of annual gross rental												
Year 3 to 5	2.5% of annual gross rental												
Year 6 to 8	1.5% of annual gross rental												
Year 9 onwards	1.0% of annual gross rental												

Brokerage	<p>Renewals</p> <p>The landlord typically pays its managing agent 50% of the amount payable for a new lease as per the aforementioned tariff structure.</p> <p>However, parties can negotiate specific deals based on transaction exclusivity, letting urgency or difficulty.</p>
Legal fees	<p>The tenant normally pays to the landlord, the legal costs for the landlord's lawyer drawing up the lease agreement. Additionally, the tenant pays their own lawyer.</p>

GENERAL LEASING MARKET

Transparency	<p>Market statistics are available through various publications such as online subscription services and quarterly reviews. These include area reports, vacancy rates, average rentals and operating costs, capitalisation rates and discount rates.</p> <p>However, information regarding the names of tenants, rental rates agreed upon and the length of leases is not generally available. There is an increasing trend of transparency between negotiating parties only.</p>
Building Classification	<p>The most commonly accepted building classifications are according to definitions as set out by Sapoa:</p> <p>P-grade (Prime grade)</p> <p>Top quality, modern space, generally, a pace-setter in establishing rentals and includes the latest or recent generation of building services, ample parking, a prestigious lobby finish and good views, or a good environment.</p> <p>A-grade</p> <p>Not older than 15 years and buildings in this category have had major renovations. They feature high quality modern finishes, air conditioning, adequate on-site parking, with market rental near the top of the range in the metropolitan areas where they are located. (The following should also be taken into account in determining whether the building is A-grade or not: consider whether the building has a good quality lobby finish, quality access to/from an attractive street environment and other similar factors, such as safety and security).</p> <p>B-grade</p> <p>Generally older buildings, but accommodation and finishes are close to modern standards as a result of refurbishments and renovation from time to time, air-conditioned, on-site parking, unless special circumstances pertain.</p>

Building Classification	C-grade Buildings with old style finishes, services and building systems. They may or may not be air-conditioned or have on-site parking.
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LEASE AGREEMENTS

Term	Leases are typically for 3-5 years, with some large global or national corporate leases being for 10 years, with fixed rentals and predetermined annual escalations.
Break clause	Termination or breaks are rare, except occasionally with long-term leases such as ten years or longer.
Renewal	The tenant has a right to renew at the market rate if specified in the lease agreement.
Right to sublet	Parties normally agree that subletting is allowed only with the landlord's consent, which cannot be unreasonably withheld.
Option to expand & right of first refusal	The option to expand and right of first refusal are negotiable.
Late delivery by landlord	Should a building not be ready for occupation by the agreed date as set out in the lease, penalties will be dependent on the conditions stipulated in the contract, however, these conditions are negotiable.
Holdover by tenant	Holdover by tenant is generally not accepted, but will depend on the conditions stipulated in the contract.
Signage and naming of building	Building signage and naming are negotiable and depend on the conditions stipulated in the contract. Naming rights are limited to single tenant occupied properties on long- term leases.
Standard lease	Each landlord has their own preferred standard lease agreement.
Laws and practices	Lease contracts are governed within the legal frameworks of South African 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 are quoted in square metres (m ²).
Definition	<p>Rentable area</p> <p>This is 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</p> <ul style="list-style-type: none"> • Gross leases Net rental, operating expenses and property taxes, known as assessment rates, are included in the rental amount for leases and all consumption charges are separately recovered. • Triple net leases Net leases generally apply on purpose built or single-tenanted properties with strong tenant profiles and where leases are for long term periods. With triple net leases, the tenant pays net rental plus all property expenses. <p>Parking</p> <p>Parking is provided in open areas usually at no charge and charged in covered areas at a rate per bay per month, escalating in line with rentals. Operating costs are not applicable to parking rentals.</p> <p>Rents quoted</p> <p>Generally, rents are quoted as gross rents in Rand (ZAR or R)/m²/month.</p> <p>Rent payable</p> <p>Rents are payable monthly in advance and exclude VAT payable of 14%. Invariably, landlords split their rental into a net rental plus operating costs plus assessment rates.</p> <p>Rent free period</p> <p>Rent free periods are not usual, but in certain instances one month may be negotiated.</p>
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Rent	<p>Rent escalation</p> <p>Most leases provide for annual rental escalations. Rental and operating cost escalations are market driven and not related to the inflation rate. Current rent escalations are between 8 – 9%.</p>
Operating costs	<p>Operating costs, sometimes known as “Op Costs”, are often specified separately from net rent in the lease. The sum of net rent and operating costs is equivalent to the gross rent. The purpose of the split is to enable the application of separate escalation rates to the operating costs and to the basic rent. The escalation rate applied to operating cost is generally higher than the rate applied to the net rent.</p> <p>Operating costs generally cover all landlord expenses inter alia: maintenance, management costs, cleaning of the common areas, security, common area utility charges, insurance, assessment rates and any park levies.</p>
Taxes	<p>Property taxes are known as “assessment rates” or “rates” and are payable by the property owner and may or may not be fully recovered through the operating costs and/or a direct rates recovery and depend on the terms negotiated. Rates payable are based on a municipal value of the land and improvements.</p>
Utilities	<p>Water and electricity are metered for the area occupied or, if not metered, recovered according to the percentage of the area occupied. Sewerage charges are levied at a pro-rata of the water charge and refuse is recovered per consumption.</p>
Fit-out	<p>Fit-out costs are usually for the tenants account to their specifications, the landlord may contribute for a long-term lease.</p>
Restoration	<p>The landlord undertakes repairs and maintenance of the exterior and the structure of the building and common areas. The tenant traditionally bears the cost of internal repairs and maintenance and reinstating the premises in its original condition, fair wear and tear accepted at the end of the lease.</p>
Deposits and/or guarantees	<p>Deposits range from 1-3 months’ rent, depending on the tenant’s credit rating, risk profile and payment history.</p>
Parking	<p>Parking is provided in open areas usually at no charge and charged in covered areas at a rate per bay per month, escalating in line with rentals. Operating costs are not applicable to parking rentals. Generally a ratio of 1 - 2 bays per 100m² of GLA is provided.</p>

Other occupancy costs

Management fees

Fees to manage industrial properties are a percentage of total receipts and depend on the complexity of the revenue stream and number of tenants.

Insurance

It is common practice for landlords to insure the structure and against public liability claims. There is an increasing trend for landlords to take insurance cover for loss of rental. Tenants are traditionally required to take out insurance for the contents of the leased premises, business risk (inclusive of rental commitment cover) and public liability cover within the leased premises.

TRANSACTION COSTS

Brokerage

Landlords usually pay brokerage fees to brokers that represent them or introduce tenants, but rarely appoint brokers on an exclusive basis. Tenant representation services are beginning to emerge and be entrenched in the market. Tenants represented by brokers will be responsible for the commission payment thereof.

Brokerage fees outlined below are levied on the gross rental including parking.

New leases

The generally accepted structure of brokerage payment in South Africa is 75% to 100% of the tariff structure below:

Year of lease agreement	Sliding scale tariff
Year 1	5.0% of annual gross rental
Year 2	5.0% of annual gross rental
Year 3 to 5	2.5% of annual gross rental
Year 6 to 8	1.5% of annual gross rental
Year 9 onwards	1.0% of annual gross rental

Renewals

The landlord typically pays its managing agent 50% of the amount payable for a new lease as per the aforementioned tariff structure.

However, parties can negotiate specific deals based on transaction exclusivity, letting urgency or difficulty.

Legal fees

The tenant normally pays the legal costs for the landlord's lawyer drawing up the agreement. Additionally, the tenant pays their own lawyer.

GENERAL LEASING MARKET

Transparency

Market statistics are available through various publications such as online subscription services and quarterly reviews. These include area reports, vacancy rates, average rentals and operating costs, capitalisation rates and discount rates.

However, information regarding the names of tenants, rental rates agreed upon and the length of leases is not generally available. There is an increasing trend of transparency between negotiating parties only.

Building classification

The most commonly accepted building classifications are according to the definitions as set out by the Investment Property Databank (IPD).

High-tech industrial

Modern buildings with office components accounting for between 25% - 50% of the gross market rental.

High grade industrial

Eaves height greater than 6 metres with good yard/circulation space.

Light manufacturing

Office component accounts for less than 15% of market rental. Eaves height <6m or limited yard/circulation space or restricted accessibility.

Warehousing

Eaves height greater than 6 metres with good circulation and docking space and multiple access portals.

Mini-units

Modular units with a majority of rentable areas being less than 500m² per unit.

Midi-units

Modular units with a majority of rentable areas being measuring between 500 and 1,000m² per unit.

Maxi-units

Modular units with a majority of rentable areas being greater than 1,000m² per unit.



LEASE AGREEMENTS

Term	Due to the provisions of the Consumer Protection Act, leases with independent retailers are generally no longer than 2 years, but can be up to 3 years. National tenants typically sign leases of 5 years and grocery and department store leases are generally for 10 years.
Break clause	Termination or break clauses are not common, termination is usually on some form of breach.
Renewal	Renewals are usually negotiated 6 months in advance and are typically based on performance and adherence to the lease agreement during the initial period. Most anchor/grocery stores will insist on options to renew. Typically, these will range from 5 to 10 years and are at the election of the tenant to exercise the option within a specific time frame and option rentals are market related.
Right to sublet	Leases generally contain a right to sublet (or cession), but this requires the approval of the landlord, which approval shall not be unreasonably withheld and is strictly in accordance with usage clauses having regard to tenant mix.
Option to expand & right of first refusal	Anchor tenants will usually request expansion rights in new projects, with the size being determined and allocated upfront.
Late delivery by landlord	Pre-determined penalties to the landlord will usually apply in the event of late delivery in the case of anchor or national tenants. The lease agreement does contain a minimum period wherein the landlord will need to advise the tenant of the occupation date. In some cases, the anchor tenant may have the option to withdraw completely from a project due to late delivery.
Holdover by tenant	The holdover clause is prominent in all shopping centre leases. The amount of rental payable during the holdover period varies from centre to centre.
Signage and naming of building	Larger tenants that exceed a certain m ² of rented space are allowed prominent signage on the building (if available). Smaller tenants could be offered signage opportunities once the large tenants have been allocated an area on the building, however, this is not common practice. Naming rights are not common.

Standard lease	<p>Landlords usually have their own standard lease agreement which line shops/ independent retailers are required to sign. It is common practice for anchor tenants and landlords to negotiate a “hybrid” lease which is a combination of both the tenant and landlord leases acceptable to both parties.</p> <p>Lease negotiations are usually undertaken between the tenant and the landlord (or the landlord’s appointed agent). In some cases, tenants will have their own representative who will undertake the negotiations on their behalf.</p>
Laws and practices	<p>Lease contracts are governed within the legal frameworks of South African 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.</p>

SPACE MEASUREMENT

Measurement	<p>Areas are quoted in square metres (m²).</p>
Definition	<p>Rentable area</p> <p>This is 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 - Gross leases</p> <p>Gross rent is usually net rental and operating costs and excludes rates & taxes (property tax), with all consumption charges separately recovered.</p> <p>Parking</p> <p>Tenant parking is charged at a rate per bay per month.</p> <p>Rents quoted</p> <p>Rents are quoted as gross rents in Rand (ZAR)/m²/month, excluding VAT payable of 14%.</p>
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Rent	<p>Rent free period</p> <p>Rent free periods are usually for fit-out purposes but in some cases, for incentive purposes and vary dependant on tenant type. Rent free periods are negotiable and are deal specific.</p> <p>Rent escalation</p> <p>Most leases provide for annual rental escalations, however, rental and operating cost escalations are market driven and not related to the inflation rate. Current escalation rates vary between 8 – 10% per annum.</p>
Operating costs	<p>Operating costs, sometimes known as “op costs”, are often charged separately from net rent in the lease. The sum of net rent and operating costs is equivalent to the gross rent. The purpose of the split is to enable the application of separate escalation rates to the operating costs and to the basic rent. The escalation rate applied to operating cost is generally higher than the rate applied to the net rent.</p> <p>Operating costs generally cover all landlord expenses inter alia: maintenance, management costs, cleaning of the common areas, security, common area utility charges, insurance, assessment rates and any park levies.</p>
Taxes	<p>Property taxes are known as “assessment rates” or “rates” and these are payable by the property owner and may or may not be fully recovered through the operating costs and/or a direct rates recovery and depend on the terms negotiated. Rates payable are based on a municipal value of the land and improvements.</p>
Utilities	<p>Water and electricity are metered for the area occupied or, if not metered, recovered according to the percentage of the area occupied. Sewerage charges are levied at a pro-rata of the water charge and refuse is recovered per consumption.</p>
Fit-out	<p>A “white box” is usually provided by the landlord, and a further allowance/m² will be granted, depending of the calibre of tenant and deal negotiated.</p> <p>The landlord imposes strict limitations on the tenant’s ability to alter the premises and major structural alterations are generally prohibited. Internal, non-structural alterations will require the landlord’s consent, which cannot be unreasonably withheld.</p>
Restoration	<p>The landlord undertakes repairs and maintenance of the exterior and the structure of the building and common areas. The tenant traditionally bears the cost of internal repairs and maintenance and reinstating the premises to its original condition, fair wear and tear accepted at the end of the lease.</p>

Deposits and/or guarantees	Security deposit and guarantees will form part of most line shop and small national tenant leases. The deposit varies from 2 month's rental (last year's monthly rental) with additional surety, or 4 month's rental, with no surety. Deposits are in the form of cash or bank guarantees (issued on the landlord's standard template). Tenants usually do not benefit from the interest earned on cash deposits.
Parking	Tenant parking is charged at a rate per bay per month. Generally, a ratio of 6 bays per 100m ² of GLA is provided.
Other occupancy costs	<p>Management fees Fees to manage retail properties are a percentage of total receipts and depend on the complexity of the revenue stream and number of tenants.</p> <p>Insurance It is common practice for landlords to insure the structure and against public liability claims. There is an increasing trend for landlords to take insurance cover for loss of rental. Tenants are traditionally required to take out insurance for the contents of the leased premises, business risk (inclusive of rental commitment cover) and public liability cover within the leased premises.</p> <p>Marketing fund There is usually a marketing fund which is billed as a percentage of net rent, payable by the tenant.</p>

TRANSACTION COSTS

Brokerage	<p>Landlords usually pay brokerage fees to brokers that represent them or introduce tenants, but rarely appoint brokers on an exclusive basis. Tenant representation services are beginning to emerge and be entrenched in the market. Tenants represented by brokers will be responsible for the commission payment thereof.</p> <p>Brokerage fees outlined below are levied on the gross rental including parking.</p> <p>New leases The generally accepted structure of brokerage payment in South Africa is 75% to 100% of the tariff structure below:</p>
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Brokerage

Year of lease agreement	Sliding scale tariff
Year 1	5.0% of annual gross rental
Year 2	5.0% of annual gross rental
Year 3 to 5	2.5% of annual gross rental
Year 6 to 8	1.5% of annual gross rental
Year 9 onwards	1.0% of annual gross rental

Renewals

The landlord typically pays its managing agent 50% of the amount payable for a new lease as per the aforementioned tariff structure.

However, parties can negotiate specific deals based on transaction exclusivity, letting urgency or difficulty.

Legal fees

The tenant and landlord usually cover their own legal costs if attorneys are required. A lease preparation fee is also charged by the managing agent and is paid by the tenant.

RETAIL LEASING MARKET

Transparency

Market statistics are available through various publications such as online subscription services and quarterly reviews. These include area reports, vacancy rates, average rentals and operating costs, capitalisation rates and discount rates.

However, information regarding the names of tenants, rental rates agreed upon and the length of leases is not generally available. There is an increasing trend of transparency between negotiating parties only.

Building classification

The most commonly accepted building classifications are according to definitions as set out by the IPD:

Super regional >100,000 m²

Regional 50,000m² – 99,999m²

Small regional 25,000m² – 49,999m²

Community centre 12,000m² – 24,999m²

Neighbourhood centre 5,000m² – 11,999m²

Local convenience centre 1,000m² – 4,999m²

Small freestanding centre 500m² – 999m²

Standalone retail unit - individual retail unit not categorised elsewhere

Specialist/lifestyle retail centre - Specialist traders/ entertainment/ theme centres

Retail value centre - Big box retailers, specialist retailers, home improvements, limited groceries (10,000m² – 45,000m²)

Retail hyper centre - One hyper store (70% of GLA), convenience line stores, services

ZAMBIA



Broll Office: Manda Hill Mall, cnr Great East & Manchinchi Roads, Lusaka

Tel: +26 (0) 21 125 5549

Web: www.broll.com

Divisional Director SADC: Ronel Judin

Email: rjudin@broll.co.za



COUNTRY FACTS

Capital City	Lusaka
Population	14.5 million (2014 estimate)
Unemployment	14% (2012 estimate)
GDP	7.1% (2013)
GDP per capita	US\$822
Inflation rate	8% (August 2014)
Interest rate	12% (August 2014)
Corporate tax	35% (January 2014)
Sales tax	16% (January 2014)
Currency	Kwacha (ZK)
Business language	English
Ease of doing business	83 out of 186 countries
Global competitiveness	96 out of 144 countries



LEASE AGREEMENTS

Term	Leases are generally between 3 – 5 years with fixed annual rental escalations.
Break clause	Terminations or breaks are not a standard feature in lease agreements.
Renewal	Most leases provide an option to renew and the tenant has to provide 6 months written notice to renew. If not then the landlord is not obliged to renew the lease agreement. The renewal period is defined, however, rentals are not and will be market related.
Right to sublet	Subletting is not allowed unless the landlord has given written consent.
Option to expand & right of first refusal	Options to expand and rights of first refusal are not automatic unless specified in the lease agreement.
Late delivery by landlord	Late delivery is negotiable in terms of the lease agreement.
Holdover by tenant	Dependent on the conditions stipulated in the lease agreement.
Signage and naming of building	Is in accordance with the tenant signage and criteria document which forms part of the lease agreement.
Standard lease	Lease agreements tend to be landlord specific and aspects such as rentals, lease periods and terms are negotiated as part of the lease agreement.
Laws and practices	<p>Commercial lease agreements are governed by specific property laws, such as the Landlords and Tenants (Business Premises) Act as well as Company law.</p> <p>Another interesting statute is the Authentication of Documents Act, Chapter 75 of the Laws of Zambia, which stipulates that a lease must be authenticated if entered into between a foreign tenant (such as a South African tenant) and the landlord. Section 3(d) of this Act sets out the procedure for authenticating a document executed in a foreign country, such as South Africa.</p>

SPACE MEASUREMENT

Measurement	Rentable space is quoted in square metres (m ²).
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Definition	<p>Rentable area</p> <p>Rentable area is generally measured according to the South African Property Owners Association method or is measured as per the architects plan.</p>
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OCCUPATION COSTS

Rent	<p>Rent basis</p> <p>Net rental, service charges and marketing fees are charged separately as per the agreed rates in the lease agreement.</p> <p>Parking</p> <p>Parking is charged at an additional cost to rental at a specific rate per bay per month.</p> <p>Rents quoted</p> <p>Rents are quoted in US\$/m²/month and exclude VAT payable of 16%.</p> <p>Rents payable</p> <p>Rents are typically payable monthly in advance and VAT of 16% is payable on rental figures as is a Withholding Tax of 10%.</p> <p>Rent escalation</p> <p>Escalations range between 6 – 8% per annum.</p> <p>Rent free period</p> <p>Usually, rent free periods range between 30 – 60 days.</p>
Operating costs	<p>Operating costs and/or service charges are negotiated as part of the lease agreement and where applicable the cost is over and above the net rental.</p>
Taxes	<p>Assessment rates</p> <p>These rates are recoverable from the tenant on a pro-rata basis in terms of the lease agreement.</p> <p>VAT</p> <p>Rental figures exclude VAT of 16% which is payable by the tenant.</p> <p>Withholding tax</p> <p>There is a 10% Withholding Tax which is applicable to the retail sector. A tenant will withhold a certain portion of their rental amount and will pay this over to the Zambia Revenue Authority. The tenant will then present the receipt of such payment to the landlord for accounting purposes.</p>

Utilities	Water and electricity are separately metered in most cases or recovered from the tenant on a pro-rata basis based on the percentage of space occupied in relation to the size of the building.
Fit-out	Tenants receive a “white box” and they are responsible for their own fit-out unless the landlord has agreed to provide the tenant with an installation allowance.
Restoration	The tenant has to restore the premises back to a “white box” when they vacate.
Deposits and/or guarantees	One or two months’ basic rental is required as a deposit.
Parking	Parking is charged separately at a rate per bay per month.
Other occupancy costs	<p>Insurance</p> <p>The landlord is responsible for the building insurance and the tenant is responsible for insuring the inside of his/her premises as well as all contents therein.</p>

TRANSACTION COSTS

Brokerage	<p>New leases</p> <p>Commission is payable by the landlord in terms of an agreed mandate on new lease agreements. Generally, two month’s rental is payable as commission or approximately 70% of the tariff structure used in South Africa.</p> <p>Renewals</p> <p>Commission on lease renewals is determined by the management contract which is in place and is generally paid to the managing agent by the landlord.</p>
Legal fees	Legal fees are payable by the tenant in the event of a breach and subsequent legal action resultant from such action. The landlord is liable for their own costs if not recoverable from the tenant in terms of the lease agreement.
Other transaction costs	<p>Lease administration fees</p> <p>Such fees are generally charged by the landlord or its agent for generating lease agreements and are payable by the tenant.</p> <p>Lease registration fees</p> <p>Such fees are payable to the Ministry of Lands and are calculated at approximately 1 to 2 % of the rental value.</p>

GENERAL LEASING MARKET

Transparency	Limited market information is available.
Building classification	No formal classifications for the retail market are prevalent in Zambia.

CONTACTS

GHANA

Broll Office: 7th Floor, Ridge Tower, 6th Avenue, Ridge, Accra

Tel: +233 (0) 302 672 888

Web: www.brollghana.com

Chief Executive Officer: Kofi Ampong

Email: kampong@brollghana.com

Portfolio Executive: Eric Abu

Email: eabu@brollghana.com

Portfolio Executive: Jonan Mouton

Email: jmouton@brollghana.com

Head of Commercial Broking: Samuel Osei

Email: sosei@brollghana.com

Head of Retail Leasing: Moses Luri

Email: mluri@brollghana.com

KENYA

Broll Office: Fedha Plaza, Mezzanine Floor, Mpaka Road, Westlands, Nairobi

Tel: +254 20 374 3066

Web: www.broll.co.ke

Chief Executive Officer: Jonathan Yach

Email: jyach@broll.co.ke

Director – Portfolio Management and Client Services: Betty Musyoki

Email: bmusyoki@broll.co.ke

Head of Research: Karen Koigi

Email: kkoigi@broll.co.ke

Head of Retail: Simran Jhingan

Email: sjhingan@broll.co.ke

Commercial and Industrial Broker: Winnie Gachagua
Email: wgachagua@broll.co.ke

INDIAN OCEAN (MADAGASCAR, MAURITIUS, SEYCHELLES AND REUNION)

Broll Office: Suite 21J, 2nd Floor, Raffles Tower, Ebene, Mauritius
Tel: +230 468 1222
Web: www.broll-io.com

Managing Director: Rhoy Ramlackhan
Email: rhoy@broll-io.com

Director- Operations and Broking: Ramanand Beedassy
Email: nanon@broll-io.com

Valuation Assistant: Jhamille Couveline
Email: jhamille@broll-io.com

MALAWI

Broll Office: Ground Floor, Kabula House, Chilembwe Road, Blantyre
Tel: +265 183 4311
Web: www.broll.co.mw

Chief Executive Officer: Ricky Kantema
Email: rkantema@broll.co.mw

Head of Operations: Sandra Antoine
Email: santoine@broll.co.mw

Head of Operations Technical: Oscar Matope
Email: omatope@broll.co.mw

Finance Manager: Sharon Jere
Email: sjere@broll.co.mw

NAMIBIA

Broll Office: Zanlumor Building, 2nd Floor, Post Street Mall, Windhoek
Tel: +264 61 374 500
Web: www.brollnamibia.com.na

Managing Director: Marco Wenk
Email: Marco.Wenk@brollnamibia.com.na:

Leasing Manager: Pascale Poultney
Email: Pascale.Poultney@brollnamibia.com.na

Financial Manager: Karen Keys
Email: Karen.keys@brollnamibia.com.na

NIGERIA

Broll Office: 3rd Floor, The Octagon, 13A AJ Marinho Drive, Victoria Island, Lagos

Tel: +234 1 270 1892

Web: www.broll.com.ng

Director - Head of West Africa Operations: Leonard Michau

Email: lmichau@broll.com.ng

Chief Executive Officer: Bolaji Edu

Email: bedu@broll.com.ng

Director: Gavin Cox

Email: gcox@broll.com.ng

Head Commercial Broking: Olufemi Oyinsan

Email: ooyinsan@broll.com.ng

Retail Leasing Manager: Lola Sowunmi

Email: lsowunmi@broll.com.ng

Research Analyst: Dolapo Omidire

Email: domidire@broll.com.ng

RWANDA

Broll Office: 8th Floor, Grand Pension Plaza, Boulevard De La Paix, Nyarugenge, Kigali

Tel: +250 787 450 211

Web: www.broll.co.rw

Chief Executive Officer: Mike Visser

Email: mvisser@broll.co.rw

Lease Co-ordinator: Celestine Uwineza

Email: ucelestine@broll.co.rw

SOUTH AFRICA

Broll Head Office: 27 Fricker Road, Illovo, Johannesburg

Tel: +27 11 441 4000

Web: www.broll.co.za

Group Chief Executive Officer: Malcolm Horne

Email: mhorne@broll.co.za

Director Investor Services: Heidi Rix

Email: hrix@broll.co.za

Director Transactional Services: David Alcock

Email: dalcock@broll.co.za

Divisional Director Research: Elaine Wilson

Email: ewilson@broll.co.za

Researcher: Daniella Gaspar

Email: dgaspar@broll.co.za

ZAMBIA

Broll Office: Manda Hill Mall, cnr Great East & Manchinchi Roads, Lusaka

Tel: +260 211 255550

Divisional Director SADC: Ronel Judin

Email: rjudin@broll.co.za

General Manager Manda Hill Centre: Vusumzi Mdwara

Email: vusumzim@mandahill.co.zm

Assistant Centre Manager: Zoe Kaseka

Email: zoek@mandahill.co.zm

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