Office Leasing Guide - Hong Kong

What you need to do to set up
Colliers International is committed to accelerating success. We understand that real estate decisions affect your future, and our mission is to help you make the right choices for your business.
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Colliers International has assembled this guide to detail the leasing process and pitfalls for tenants setting up operations in Hong Kong and the region. We are an award-winning team of office leasing professionals providing intimate knowledge of the local market and solutions specific in Hong Kong.

Working with the Colliers International Hong Kong Office Services Team will save you the confusion of dealing with multiple agents, landlords and consultants. In contrast to the residential leasing process, office leasing practices allow you to work with one leasing professional to seek out all suitable options in the market. Our comprehensive database contains information on every prime office listing, agent and landlord so that we can search the market to find the right option for your business, regardless of who the landlords and landlord agents are.
Business & Operational Needs
Contractual and operational flexibility of space is arguably the most important consideration for a new office space, primarily due to the potential headcount fluctuations over the life span of the office. This might involve secure expansion rights over adjacent space or caps on rent reviews to achieve great business continuity.

Your Organisational Brand
The building outlook and the fit-out of your office speaks volumes about your organization. Getting this right from the outset is paramount and could save the tenant a significant amount of up front capital.

Employee Satisfaction and Retention
The firm’s location relative to others can lead to greater market presence and an increase in staff morale and productivity, ultimately making the firm more profitable and sustainable as a business over the longer term.

Cost Considerations
Operational Costs
Negotiability of rentals and incentives are highly dependent on the equilibrium in the Hong Kong market. Vacancy of each building and the landlord’s portfolio exposure to potential future vacancy all effect the terms and therefore the cost implications of each office space.

Fit-out and Reinstatement Costs
Entry and exit strategies to a contract can also greatly affect the real cost of your commitment. Workplace design and fit-out costs should be viewed as an organisational opportunity – a well-planned and executed fit-out will adapt to your organisation’s growth, changing needs and minimise churn costs.

When Should I Start?

Plan, Plan, Plan
Business continuity is the key when exploring your office leasing options, and therefore knowledge is key. Allow sufficient time to ascertain your current situation, review options and assess the marketplace context to ensure you optimise the end result.

Timing
The period required to conduct this process for a tenant, typically takes between four to eight months.
Central

Central is the traditional business district for the professional services and finance industry in the city. This district houses the vast majority of finance, legal and service professionals in Hong Kong in buildings ranging from highly specified, prime Grade A office towers in the core of the district, to more modest, older buildings in the fringe areas with standard technical specifications.

The Central district has the largest rental spread in the Hong Kong market ranging from the most expensive premises in Hong Kong, to inexpensive strata-titled premises in the fringe areas. The district has a good public transport network, direct access to the Airport Express station and a number of 5 star hotels, as well as housing the main area for client entertainment the city.

Admiralty

Admiralty lies directly adjacent to Central and is connected to the eastern fringe of Central by an over ground pedestrian walkway system.

Admiralty’s Grade A space largely consists of the Pacific Place office & retail development, adjacent to several five star hotels in the area, in addition to a large number of strata-titled office towers. Being strata-titled in nature, these towers are heavily discounted from the portfolio landlord owned Grade A stock. The district is also now home to the Hong Kong Central Government Headquarters, has an excellent public transport network and has a growing number of bars and restaurants on the Eastern fringe of the district.
West Kowloon

West Kowloon is a stand-alone newly developed business district comprising luxury residential apartments, a high-end shopping mall, 5 star serviced apartments and hotel facilities and the International Commerce Centre – a premium Grade A office tower and the tallest building in Hong Kong, housing several multinational banks. The area has good public transport services and direct access to the Airport Express.

Wanchai

Wanchai provides more economical accommodation than Central and Admiralty with the Grade A space being located between the North side of Gloucester Road and Victoria Harbour. A number of professional service and financial firms occupy space in this area, predominately in the portfolio owned buildings.

The majority of office towers in Wanchai are strata-titled and more popular with service industries, trading (export) and shipping companies. The area has good public transport links.

Causeway Bay

Causeway Bay has historically been a popular business district to house the office space of multinational retail firms. There are adequate public transport links to the district.

Tsim Sha Tsui

Traditionally the favoured location for merchandising and trading (export) companies benefitting from good access to sea and air ports, warehousing and the manufacturing base in Mainland China.
Jardine House
Ex-Ritz Carlton Redevelopment
AIA Central
Hutchinson House
Lippo Centre
International Commerce Centre
Cheung Kong Center
Citibank Plaza - Citibank Tower / ICBC Tower
HSBC Building
Bank of China Tower
Citibank Plaza
Central Government Head Quarters
CITIC Tower
Two Pacific Place
One Pacific Place
8 Queen’s Road East
28 Hennessy Road
W Hotel
28 Hennessy Road
30 Chater Road
21 Chater Road
One Peking
Walter Duke
Hutchinson House
Kowloon West
Tsim Sha Tsui
Central Government
Head Quarters
Three Pacific Place
Central Government
Head Quarters
Kowloon West
Tsim Sha Tsui
Hong Kong Island
Typical Leasing Process

STEP 1
- **Determine your property needs**
  Understand business needs identify decision makers and confirm critical time path
- Conduct accommodation requirement evaluation
- Produce real estate brief

STEP 2
- Evaluate market options
- Reconfirm accommodation requirement evaluation
- Brief preferred landlords / serviced office providers
- Confirm building options and assess via inspections
- Begin offer / counter-offer process
- Short-list options, design consultants to evaluate space efficiency

STEP 3
- Commit to new premises
- Complete lease documentation

STEP 4
- Fitout design and project management
Step 1
Determine Your Property Needs

Taking Your Requirement From Notion - To Motion

Skipping the planning stage makes the list of Top 10 mistakes most commonly made by office leasing tenants. It is crucial to understand your business and workplace, and therefore, property requirements through a process of evaluation and forecasting.

Organisational Briefing – Confirm Your Business Plan Objectives

Commercial leasing decisions should be considered with a medium to long term mindset with most leases running for three years plus a renewal option; therefore your property decisions should take a view of your company’s future requirements as well as today’s needs. Guided by a professional, workplace strategist / designer, the organisational briefing process will develop answers to a range of questions including:

- What is your headcount growth for the first two / three years?
- What are your brand values?
- Will the firm require front of house space to conduct business with clients?
- What will your technology I.T. requirements be?

Only by adopting this “concept-planning” phase will you achieve the maximum benefit (both financial and strategic) in setting up an office for your firm in Hong Kong. Only minimal gains are possible if the workplace design focus is restricted purely to the design and construction phase (Step 4).

What Should Be in Your Brief?

- Size of space
- Number of employees (max and min)
- Location
- Building services
- Security and access
- Technical requirements
- Environmental considerations
- Fit-out needs
- Image / quality / aesthetics
- Carparking
- IT and communications infrastructure
- Office / trading hours
- Lease structure preferences
- Timing
- Budget
- Other unique needs (gym / improved w/c facilities)
- Term / renewal

Your brief should be documented and used to evaluate options. Consider ranking each factor in terms of importance as you may have to compromise on some items – depending on market conditions and the options available.
**Step 2**
**Evaluate Market Alternatives**

**Inspect and Evaluate Options and Prepare a Shortlist**

Evaluate options against your brief, ensuring property options match your stated business objectives. Colliers International has developed a range of decision models and financial matrices to assist in decision making, thus enabling a time efficient process of short-listing of a wide range of options. These tools dramatically improve efficiency in the evaluation process.

*(Please refer to Appendix I for Office Grade Definitions and Area Definitions.)*

**Other Occupation Options?**

**Serviced Offices**

A number of small furnished units (e.g. business centres) can be leased on a monthly basis. Higher rents on a per sq ft basis can be expected, however a number of business centres can tailor make / section off specific space for tenants, at times with their own private entrance or reception area.

Serviced offices provide technical and personnel resources as well as contractual flexibility (typical less than 12 months). They also provide touch-down space in other cities in the region benefiting staff members who travel extensively.

Colliers works with a number of global and regional operators in Hong Kong to ensure the client is getting the best possible terms in the market.

**Financial Analysis**

There are several ways to compare leasing financials including but not limited to:

- Net effective rent per square foot
- Gross face rent per square foot
- Gross effective rent per square foot
- Total occupancy cost per employee

Look beyond the square foot rate on offer. Some office space is highly efficient, enabling you to seamlessly accommodate your employee quota in less space. For example, you may require 5,000 sq ft to accommodate your staff in one building whilst another may be able to house them comfortably in only 3,800 sq ft. In this instance, it does not make sense to compare the two options based on their rate per sq ft but to use a lease analysis model.

**Workplace Design and Fit-out Considerations**

**It’s Not All About Cost**

When evaluating your property options, don’t forget to consider the non-financial costs and benefits for each property option. Your workplace designer can help you evaluate each option’s impact on factors such as staff productivity and communications, corporate identity, IT and communications performance and your customer base. If appropriately engaged at Step 1, your workplace designer will have maximised their ability to positively influence the workplace brief.

It is critical that organisations extend beyond the traditional view of office accommodation and the measurement standards normally applied. It is now a fundamental requirement that the office architecture supports the intellectual work demanded of employees and facilitates an organisation’s continuous improvement strategies. It must also contribute towards the development of team networks and organisational learning systems. In addition, the office systems must support organisational change efficiently, effectively and with minimal redundancy.
Test-fit the Options - Determine Workspace Efficiencies

By conducting a design “test-fit” / site audit of the short-listed options, your workplace designer will determine the workspace ratio efficiencies for each property. This process also produces sample fit-out designs prior to your agreeing to terms.

This process helps determine your fit-out costs and will also enable you to compare your premises options on financial (e.g. fit-out costs) and non-financial (e.g. optimisation of the workplace brief) criteria more effectively. This can normally be done at no cost to the tenant.

Your workplace designer will provide the following services during this critical evaluation phase:

- Prepare interim report of existing fit-out to assess items suitable for re-use (if applicable)
- Prepare a test-fit to see if a selected suite can fit your requirements
- Prepare preliminary concept designs
- Conduct building services audits
- Manage the pre-design process including a review of building management approvals and guidelines

A number of interior design consultants also provide ‘turnkey’ solutions, which include all preliminary services as well as project management and procuring the build. This service allows the tenant to have a single point of contact throughout the project.
## Step 2
Evaluate Market Alternatives

### Indicative Fit-out Costs

To ensure that the proposed layout is compliant with the fire and safety regulations as well as meeting with building management approval, plans must be submitted to the landlord for approval prior to works commencing. Vetting of the plans will usually be subject to a charge, based on a per sq ft rate, with approvals from the landlord / building management taking up to two weeks.

The costs below relate to a 5,000 sq ft Net office to the specification, typical for a Hong Kong tenant.

<table>
<thead>
<tr>
<th>Indicative Cost Chart (Net Area)</th>
<th>Economical (per sq ft)</th>
<th>Mid Range (per sq ft)</th>
<th>High End (per sq ft)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Cost (HK$) - based on 4,999 sq ft or below</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Preliminaries</td>
<td>21</td>
<td>26</td>
<td>30</td>
</tr>
<tr>
<td>1. Insurance &amp; Preliminaries</td>
<td>21</td>
<td>26</td>
<td>30</td>
</tr>
<tr>
<td>B. Main Construction</td>
<td>206</td>
<td>287</td>
<td>434</td>
</tr>
<tr>
<td>1. Ceiling works</td>
<td>21</td>
<td>30</td>
<td>51</td>
</tr>
<tr>
<td>2. Flooring</td>
<td>33</td>
<td>43</td>
<td>66</td>
</tr>
<tr>
<td>3. Partitioning</td>
<td>34</td>
<td>40</td>
<td>66</td>
</tr>
<tr>
<td>4. Door &amp; Ironmongery</td>
<td>21</td>
<td>25</td>
<td>41</td>
</tr>
<tr>
<td>5. Wall Finishes</td>
<td>29</td>
<td>45</td>
<td>66</td>
</tr>
<tr>
<td>6. Custom Built-In and Loose Furniture</td>
<td>53</td>
<td>82</td>
<td>112</td>
</tr>
<tr>
<td>7. General</td>
<td>16</td>
<td>21</td>
<td>30</td>
</tr>
<tr>
<td>C. Proprietary Furniture</td>
<td>137</td>
<td>210</td>
<td>248</td>
</tr>
<tr>
<td>1. Proprietary Systems Furniture &amp; Loose Furniture</td>
<td>137</td>
<td>210</td>
<td>248</td>
</tr>
<tr>
<td>D. Building Services*</td>
<td>113</td>
<td>148</td>
<td>167</td>
</tr>
<tr>
<td>1. Plumbing &amp; drainage (wet pantry)</td>
<td>12</td>
<td>12</td>
<td>13</td>
</tr>
<tr>
<td>2. Air-conditioning</td>
<td>32</td>
<td>41</td>
<td>46</td>
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<tr>
<td>3. Electrical / Lighting</td>
<td>58</td>
<td>78</td>
<td>87</td>
</tr>
<tr>
<td>4. Fire Services</td>
<td>13</td>
<td>18</td>
<td>21</td>
</tr>
<tr>
<td>E. Security</td>
<td>13</td>
<td>21</td>
<td>29</td>
</tr>
<tr>
<td><strong>TOTAL COST</strong></td>
<td><strong>490</strong></td>
<td><strong>692</strong></td>
<td><strong>908</strong></td>
</tr>
</tbody>
</table>

* Building Services is subject to the Building Nominated Contractor (BNC)

Note: The above cost excludes IT work and AV equipment

### Reinstatement

Tenants are usually obligated to re-instate their premises on relocation, normally to the building’s standard leasing condition. Costs vary from building to building, however an industry average of HK$100 - 150 per sq ft Net could be applied for budget purposes.
Step 3
Committing to Premises

Letter of Intent

Once the particulars of a leasing agreement have been negotiated, a “Letter of Intent” document will be sent out. This document is generally not legally binding but details the principle terms and conditions prior to the formal lease agreement. This document will be used as a basis to prepare the final Lease Agreement.

Workplace Design Issues

When an agreement has been entered into, the workplace fit-out process needs to be activated immediately. At this stage, you should have completed:

- Needs analysis
- Space budgets
- Test-fit

This will enable you to engage a designer with accurate information regarding your organisation’s requirements. The sooner a designer is engaged, the better the outcome will be. It is vital that this stage is viewed as an investment in the organisation’s future and not merely a new fit-out. The fit-out should be linked in with the organisational strategy and will contribute to the transformation of the workspace into a collaborative and dynamic working environment.
Step 4
Fit-out Design and Project Management

The final stage of the process provides the perfect opportunity to re-think office imperatives and prepare a brief for the envisaged space that will promote organisational effectiveness, communication and productivity. The sooner you evaluate needs and engage a capable designer and project manager, the more time you will have to create the space that will match your organisation’s vision. The whole process can be summarized below:

- Design development & landlord’s approval
- Detailed design and documentation phase
- Tender / tender review phase
- Contract administration / fit-out phase
- Project completion / defects rectification / occupation phase
Top 10 Most Common Mistakes Made by Commercial Tenants

1. Begin the lease negotiation process too late
2. Do not have a clearly defined real estate brief
3. Focus too heavily on pure financial costs
4. Fail to appoint an internal single point of contact / project leader
5. Make incorrect / inaccurate assessments of their space requirement
6. Act too slowly once a decision is made on premises, consequently missing out on opportunities
7. Agree to terms prior to obtaining a space planning perspective
8. Fail to allow space for business growth
9. Do not appreciate that the best deals are usually secured well in advance of the space actually becoming available
10. Fail to leave enough time at the end of their lease to fulfil any reinstatement obligations
Appendix I
Hong Kong Office Services Team Leaders

Wendy Lau
EXECUTIVE DIRECTOR, OFFICE SERVICES

AREA OF EXPERTISE
Wendy’s major role is to advise local and international tenants on all real estate issues related to their commercial property requirements. She is well regarded in the industry for her experience and expertise in Tenant Representation service and she has also advise numerous landlords on their portfolios, i.e. Hysan Development, Kerry Properties, Swire Properties and Hong Kong Land.

PROFESSIONAL ACCOMPLISHMENTS
With over 15 years of experience in the commercial property market, Wendy has been responsible for advising a broad array of commercial tenants from all sectors of the market place and secured many significant deals as follows:

- McKinsey – 17,000 sq ft (Relocation)
- Allianz Global Investor – 32,000 sq ft (Relocation and Expansion)
- General Electric – 45,000 sq ft (Consolidation)
- Kuehne & Nagel – 40,000 sq ft (Lease Renewal)
- Sun Life Hong Kong – 250,000 sq ft (Relocation and Consolidation)
- Noble Group Ltd – 60,000 sq ft (Lease Renewal)
- QBE Insurance – 30,000 sq ft (Relocation)
- Swiss Reinsurance – 45,000 sq ft (Lease Renewal)
- Carlsberg – 25,000 sq ft (Lease Renewal)
- GIC Capital Markets – 13,000 sq ft (Rent Review)
- Sandfi-Aventis Group – 20,000 sq ft (Lease Renewal)
- ACE Insurance (2010) – 110,000 sq ft (Lease Renewal)
- ACE Insurance (2009) – 23,000 sq ft (Lease Renewal & Expansion)
- Siemens Ltd – 60,000 sq ft (Consolidation)
- Dun & Bradstreet – 15,000 sq ft (Relocation)
- ICAP (Hong Kong) Ltd – 25,000 sq ft (Relocation & Renewal)
- TPG Capital Ltd – 22,000 sq ft (Remitwal)
- Invesco – 35,000 sq ft (Relocation)

BUSINESS AND EDUCATIONAL BACKGROUND
Wendy rejoined Colliers in 2001 as Senior Associate Director of Commercial Leasing from Vigers.

At Vigers, Wendy was an Assistant Director with the Commercial Department. Prior to her time at Vigers Wendy spent five years with Colliers Commercial Department from 1994 to 1999. She also worked with Chesterton Petley.
Ross Bolton
DIRECTOR, OFFICE SERVICES

AREA OF EXPERTISE
Ross joined Colliers International’s Commercial Office Services department as a member of the Tenant Representation Group in April 2007. Ross’ current focus is to advise multinational financial firms and funds on property requirements and strategies within the Central and Admiralty business districts.

PROFESSIONAL ACCOMPLISHMENTS
With ten years experience in commercial real estate, several of which have been spent in Hong Kong, Ross has an excellent understanding of local market procedures, practices and influences.

Tenants that Ross has been responsible for advising reside primarily within the financial sector in Hong Kong and include, for example: TPG Capital, Lloyds TSB Development Capital, Bank of Scotland, ICICI Bank, CNBC, G.E. Commercial Finance, Clearstream Banking (Deutsche Borse Group), Natixis, Allianz Global Investors, Ernst & Young as well as numerous private equity and hedge funds.

Ross has also worked with the majority of portfolio landlords including Hongkong Land, Henderson Land, Wharf T&T, Sun Hung Kai, Cheung Kong Holdings, Sino Land, Hutchinson, Hysan and Swire Properties.

BUSINESS AND EDUCATIONAL BACKGROUND
Prior to joining Colliers, Ross was with Jones Lang LaSalle as a Manager undertaking Tenant Representation focused work within the Kowloon market.

In addition, Ross spent a number of years in the UK market, working for Colliers in London and in a portfolio management capacity within the Investment and Development Department of the Local Government Authority in Bath, England. This role brought further client-side understanding and expectations to all appointments.
Appendix I
Hong Kong Office Services Team Leaders

Liam McCartan
DIRECTOR, OFFICE SERVICES

AFFILIATIONS AND MEMBERSHIPS
Licensed Member of HK Estate Agent Authority
Membership Director of the Irish Chamber of Commerce, Hong Kong
(UK) Financial Services Authority certified

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AREA OF EXPERTISE
Liam joined Colliers International’s Commercial Leasing Division in 2006 as a member of the Central & Admiralty team. His main focus is to develop and deliver property solutions for multinational commercial clients.

PROFESSIONAL ACHIEVEMENTS
Over the past 6 years Liam has secured many significant transactions, the five largest transactions completed were:

- Mayer Brown JSM - 85,000 sq ft (Renewal)
- Chevron - 30,000 sq ft (Relocation)
- General Electric - 52,000 sq ft (Renewal, Relocation and Expansion)
- Invesco – 35,000 sq ft (Relocation)
- Dorsey & Whitney LLP - 12,000 sq ft (Renewal)
- Bayern LB - 15,000 sq ft (Renewal)
- SunGard Systems - 18,000 sq ft (Renewal & Expansion)
- Mattersons Stephen Jaques 24,000 sq ft - (relocation)

BUSINESS AND EDUCATIONAL BACKGROUND
Liam began his career in Hong Kong in head hunting with Wisdom Global Search where he delivered multinational companies with human capital resource solutions in the fast moving consumer goods sector, concentrating on sales and marketing higher tier management positions.

Accelerating success.
Appendix II
Leasing Terminology and Guidelines

The Lease

Length of Lease Typically 2 or 3 years. Larger occupiers may negotiate a longer term with rent reviews typically placed at the end of each third year.

Form of Lease Agreement Standard practice dictates tenants will be asked to sign a standard form lease agreement. Landlords in Hong Kong are generally reluctant to allow amendments.

Option to Renew It is relatively common for landlords to grant such options for a further term at the then, open market rental.

Regulations for Sub-leasing No sub-letting or assignment rights are generally permitted.

Rent Reviews Commonly reviewed to an open market basis. Negotiations may also involve a ‘cap’, limiting the increase of the rent or a ‘collar’, limiting the reduction of the rent; though the obtainment of caps and collars is very much dependant on market conditions.

The Rent

Monetary Units Hong Kong Dollars per square feet per month.

Costs Rent only includes the cost of occupying the space. Air-conditioning, management / service fees, rates and all out-going charges are excluded from the rent.

Adjustments Rent is fixed during the initial 2-3 years’ term, but the management fee and air-conditioning charges are subject to review by the landlord at any time during the term, normally on an annual basis.

Payment Usually paid monthly in advance.

Incentives Offered Landlords may grant rent-free periods, license periods (providing occupation before the formal tenancy commences to aid fitting out works), and occasionally, monetary allowances for decoration.

Building Grade Definitions+

Grade ‘A’ An office building of high quality finish and specification. Typically a modern office building would incorporate a suspended ceiling, raised floor or an under floor trunking system, and be situated in a prime location. The floor plate of this level of building will be typically over 5,000 sq ft and the building will have a single owner.

Grade ‘B’ A building of average quality and specification. This grading could include a Grade A building in a secondary location, have a dated / no flooring system and a relatively small floor plate.

Grade ‘C’ A building of basic specification and low quality. These buildings may be of a strata-title nature, usually located in a non-core location and have a small floor plate.

+ Please note there are no standard building grade definitions and therefore may vary from agency and landlord.
### Area Definitions*

<table>
<thead>
<tr>
<th>Measurement Type</th>
<th>Included</th>
<th>Excluded</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross Floor Area</strong></td>
<td>The internal space up to the external face of the internal wall in addition to:</td>
<td>- Lift shafts</td>
</tr>
<tr>
<td></td>
<td>- Toilets</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Columns</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Staircases</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Lift lobbies</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Smoke lobbies</td>
<td></td>
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<tr>
<td></td>
<td>- Plant rooms</td>
<td></td>
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<td></td>
<td>- Risers and</td>
<td></td>
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<tr>
<td></td>
<td>- All internal walls within the core</td>
<td></td>
</tr>
<tr>
<td><strong>Lettable Floor Area</strong></td>
<td>The internal space up to the external face of the internal wall, including:</td>
<td>- Lift shafts</td>
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<tr>
<td></td>
<td>- Toilets</td>
<td>- Staircases</td>
</tr>
<tr>
<td></td>
<td>- Columns</td>
<td>- Plant rooms</td>
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<tr>
<td></td>
<td>- Lift lobbies</td>
<td>- Smoke lobbies</td>
</tr>
<tr>
<td></td>
<td>- Smoke lobbies</td>
<td></td>
</tr>
<tr>
<td><strong>Net Floor Area</strong></td>
<td>The internal space up to the external face of the internal wall, in addition to:</td>
<td>- Lift shafts</td>
</tr>
<tr>
<td></td>
<td>- Columns</td>
<td>- Toilets</td>
</tr>
<tr>
<td></td>
<td>- Lift lobbies</td>
<td>- Staircases</td>
</tr>
<tr>
<td><strong>Net Useable / Carpetable Floor Area</strong></td>
<td>The internal space up to the external face of the internal wall</td>
<td>- Plant rooms</td>
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<td></td>
<td></td>
<td>- Smoke lobbies</td>
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<td>- Lift lobbies</td>
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<td></td>
<td>- Columns</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Riser space</td>
</tr>
</tbody>
</table>

The basis for measurement can vary greatly and we recommend that the Net area should be confirmed by tenants’ own contractors.

* The above area definitions have been prepared by Colliers International (Hong Kong) Limited and are for information purposes only. Area definitions vary from landlord to landlord and whilst reasonable care has been exercised in preparing the information, it is subject to change and Colliers International (Hong Kong) Limited makes no representation as to its truth or accuracy and cannot be held responsible for liability whatsoever for any loss whatsoever arising from or due to reliance upon the whole or any part of the contents of this document.
Facilities

Common Facilities Provided Prior to Occupation
Ceiling grids, ceiling tiles, light boxes, sprinkler system and partitioning walls for the adjacent units if the floor plate is sub-divided.

Costs

Costs Incurred
• Rental advance, usually 1 month’s rent.
• Management / service fee charge, paid monthly or quarterly in advance, which includes air-conditioning over regular office hours.
• Out of hours air-conditioning is charged on an hourly basis and paid monthly
• Government rates that represent approximately 5% of the rentals paid on a quarterly basis
• Fitting-out costs and fitting-out coordination costs
• Car park space rental and deposit

Key Money Charges / Security Deposits at the Start of Lease
• No premium or key money is charged at the start of the lease.
• A security deposit is required to be paid (see Leasing Transaction Costs below).

Specifics for Tenant Improvements

All tenant improvement work has to be approved in writing by the landlord and relevant authorities. Plans should be submitted and approved prior to commencement of the work. For use of an outside contractor, landlords may charge a management fee.

Government Rates & Rent

Government rent in the vast majority of cases is paid by the landlord. Rates are normally levied on who recovers the charge from the tenant. In some cases the tenant may be charged directly. They are currently levied at approximately 5% of the rateable value of the office space. The rateable value is the Government’s estimation on the monthly payable rent. Government rent is payable by the government lessee.

Utilities & Water Rate

Electricity and telephone charges are separately metered and paid directly by the tenant. Water rates are charged to the landlord and passed on to the tenant.
Insurance

Tenants normally have a liability of insurance which is detailed in the Tenancy Agreement. This liability typically extends to providing cover for damage to plate glass, contents, fire and theft and public liability. The landlord normally undertakes to insure the building structure. Tenant should ensure they have adequate cover during fit-out works.

Leasing Transaction Costs

**Stamp Duty**
Stamp duty depends on the rent payable and the length of tenancy. It is borne by the landlord and tenant in equal shares. For further information please see www.ird.gov.hk

**Security Deposit**
Tenants are required to pay a rental deposit to the landlord. This is normally equivalent to three month’s rental, service charges and one quarter Government rates. Providing there is no breach of the lease, the deposit will be refunded without interest, by the landlord on lease expiry.

**Legal Fee**
Usual practice is that each side bears its own legal costs. These will vary in amount depending on complexity of the transaction.

Other Points to Note

**Settling of Disputes**
The lease agreement usually provides solutions for disputes should they arise (e.g. rent reviews). Normally they are governed in accordance with the Laws of Hong Kong Special Administration Region (HKSAR). In the case of no resolution, either party may refer the dispute to their solicitors for legal actions via civil courts under the Landlord and Tenant Consolidation Ordinance in HKSAR. Arbitration is also an option.

**Documents Required by the Landlord Prior to Signing the Lease Agreement**
The tenant typically must produce a certified true copy of their Business Registration certificate with the government, the Memorandum of Articles, Form C (i.e. a list of all directors as required for Company Registry) and board minutes of resolution. A copy of the latest annual return may also be requested.
Appendix III

MTR System Map

(Source: MTR Corporation)
Real estate is a location business. That’s why we do business where you do business.

Colliers International is a leading global real estate services organisation defined by our spirit of enterprise. Through a culture of service excellence and a shared sense of initiative, we have integrated the resources of real estate specialists worldwide to accelerate the success of our partners.

Our headquarters in Seattle, Washington and more than 482 offices worldwide share a common brand and the vision to provide the best service experience available. With expertise in the major markets, Colliers is also committed to providing our clients with access to emerging markets in Asia, Eastern Europe and Latin America.
Colliers International is the leader in global real estate services defined by our spirit of enterprise. Through a culture of service excellence, and a shared sense of initiative, we have integrated the resources of real estate specialists worldwide to accelerate the success of our clients. We understand each client’s unique business needs – investors, owners, corporations and institutions – and develop enterprising solutions that make your property a competitive business advantage.

Colliers International in Hong Kong

Colliers International stands at the forefront of the real estate industry in Hong Kong. Our leading brand and market position reflect our international coverage and professional reputation. We are committed to creating a memorable experience for our clients. We do this through innovation, partnership across our service lines, genuine care for every client relationship and a spirit of enterprise. The company offers integrated and creative business solutions to the clients. Our wealth of in-depth knowledge, management experience and excellent service translate into strong partnership with clients across all industry sectors.

A Total Solution Provider

› Corporate Solutions
› Office Services
› Industrial Services
› Investment Services
› Project Management
› Retail Services
› Residential Sales & Leasing
› International Properties
› Valuation & Advisory Services
› Research & Advisory
Hong Kong Office Services

Hong Kong Offices Services offers comprehensive yet customised office leasing services to a wide range of clients that include multinational corporations, developers, owners and business enterprises.

On the tenant side, the team analyses each tenant’s business objectives in order to provide an ideal real estate solution. Services range from strategic planning, site consulting, comparative financial analysis and transaction management, to fit-out coordination and post-occupancy services. Our clients benefit from our market knowledge, unrivalled experience and integrity.

Hong Kong Offices Services has a dedicated team focusing on the CBD and bringing unsurpassed knowledge and transactional experience to tenants.

Residential Leasing

The Residential Leasing team addresses the housing needs of a very wide range of corporate and individual clients. Essentially, we offer a leasing service, which starts from sourcing a suitable property, negotiating the lease terms to assisting with the entire relocation process.

Colliers International has been serving the residential leasing sector since 1984. We have an international team of experienced leasing and orientation professionals. We are recognised for our excellent service and specialised knowledge in meeting the different needs and expectations of our international clientele.

To further assist our clients to find their homes, www.colliershomes.com provides comprehensive information on residential properties in Hong Kong. The website is easy to navigate. Visitors can customise their search at their fingertips. The database of over 900 listings is updated regularly.
Research & Advisory

Colliers’ Research & Advisory provides a full range of research and advisory services to both local and multinational corporations. The team analyse various aspects of the real estate market in Hong Kong, and addresses specific needs of our clients on a project basis.

The team provides in-depth property market research including development feasibility studies and market analysis. The scope of study ranges from general market overview to detailed analysis of market variables at the sub-market level. With our market knowledge and the implementation of computer-based forecasting models, we deliver unique and forward-looking recommendations to our clients, which add value to their real estate decisions.

In addition, the team in Hong Kong works closely with our research offices around the globe in accomplishing regional or global advisory assignments.