

WHAT DOES CODE OF CONDUCT FOR LEASING OF RETAIL PREMISES IN SINGAPORE (COC) COVER?

ANS: QUALIFYING RETAIL PREMISES IN SINGAPORE HELD UNDER A LEASE/ LICENCE AGREEMENT SIGNED ON OR AFTER 1 JUNE 2021 FOR LANDLORDS WHO FOLLOW COC VOLUNTARILY.

Components of CoC

Part A: Conduct and Spirit of Negotiations

Landlords and tenants working together to co-create a collaborative landlord-tenant ecosystem, negotiating leases in good faith, honesty and transparency.

Part B: Leasing Principles for Key Tenancy Terms

- 1. Exclusivity of trade by either party:** Clauses preventing or restricting a tenant from opening another branch within a certain radius of its premises must not be included.
- 2. Costs to Prepare the Lease Agreement and Third Party Costs:** Upfront disclosure, no profiteering and covers real costs.
- 3. Advertising and Promotion Charge and Service Charge:** Adjustment in charges shall not increase the overall gross rent payable by tenant.
- 4. Pre-Termination by Landlord due to Landlord's Redevelopment Works:** Applicable only if vacant possession is required. Written notice and compensation required by landlord.
- 5. Sales Performance:** Clauses which allow landlords to penalise tenant or pre-terminate a lease agreement based on sales performance of a tenant must not be included.
- 6. Material Adverse Change:** Landlord and tenant are encouraged to re-negotiate the lease when tenant is unable to perform its typical business activity due to events beyond tenant's control.
- 7. Pre-Termination by Tenants:** Applicable for 2 exceptional conditions: insolvency of the business principal of tenant's products or services and loss of franchise rights.
- 8. Security Deposit:** Shall not exceed 3 months' gross rent for floor area up to 5,000 square feet and lease term of up to 3 years.
- 9. Floor Area Alterations:** Depending on the % difference in surveyed floor area and floor area originally specified in the lease agreement, the security deposit and rent shall be adjusted or lease can be terminated if surveyed floor area is smaller by more than 10%.
- 10. Building Maintenance:** Landlord is responsible for any loss or damage by tenant due to the gross negligence or wilful default by landlord to maintain the building.
- 11. Rental Structure:** Base on a single rental computation throughout the lease term, e.g. rent structure must not be a "either/or, whichever is higher" formula.

Part C: Data Transparency

- 1. Landlord must share sales data metrics with tenants on GTO rent structure:**
 - before signing of lease; and
 - on bi-annual basis with existing tenants.
- 2. Any confidentiality clauses must apply to both parties.**

Part D: Dispute Resolution & Enforcement of Code of Conduct

Dispute resolution available within 14 days of signing the lease/ licence agreement.

Visit our website at ftic.org.sg for more information.