



DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia

How to Achieve Favorable Terms When Signing A Lease Agreement for Your China Business



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- **2** Key Reviewing Points for Office Lease
- **3** Negotiation Tactics for Office Lease

PART 01

Importance of Office Lease



Importance of Office Lease

01 “always there”

- Usually existed before incorporation
- Will exist until the company dissolve/deregister

02 “always needed”

- Mandated by law for incorporation
- Requested for bank account opening
- Needed for daily operation
- Spot check by relevant government departments
- Needed as contact point for commercial relationship

03 “costly”

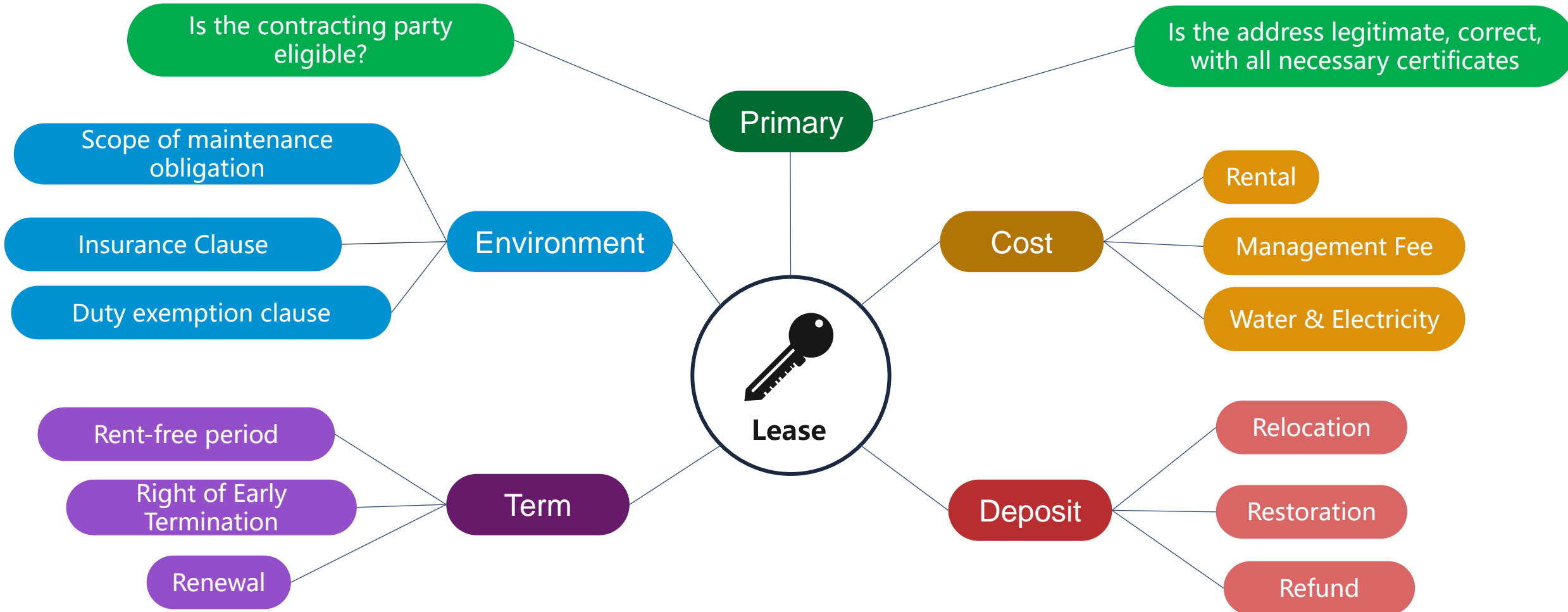
- Middle scale company usually size over 50 m², which will incur at least 10K of rental, management fee, misc. per month
- Deposit is usually 2-3 times of “Monthly rental + Management fee” and will be kept by lessor for long period of time



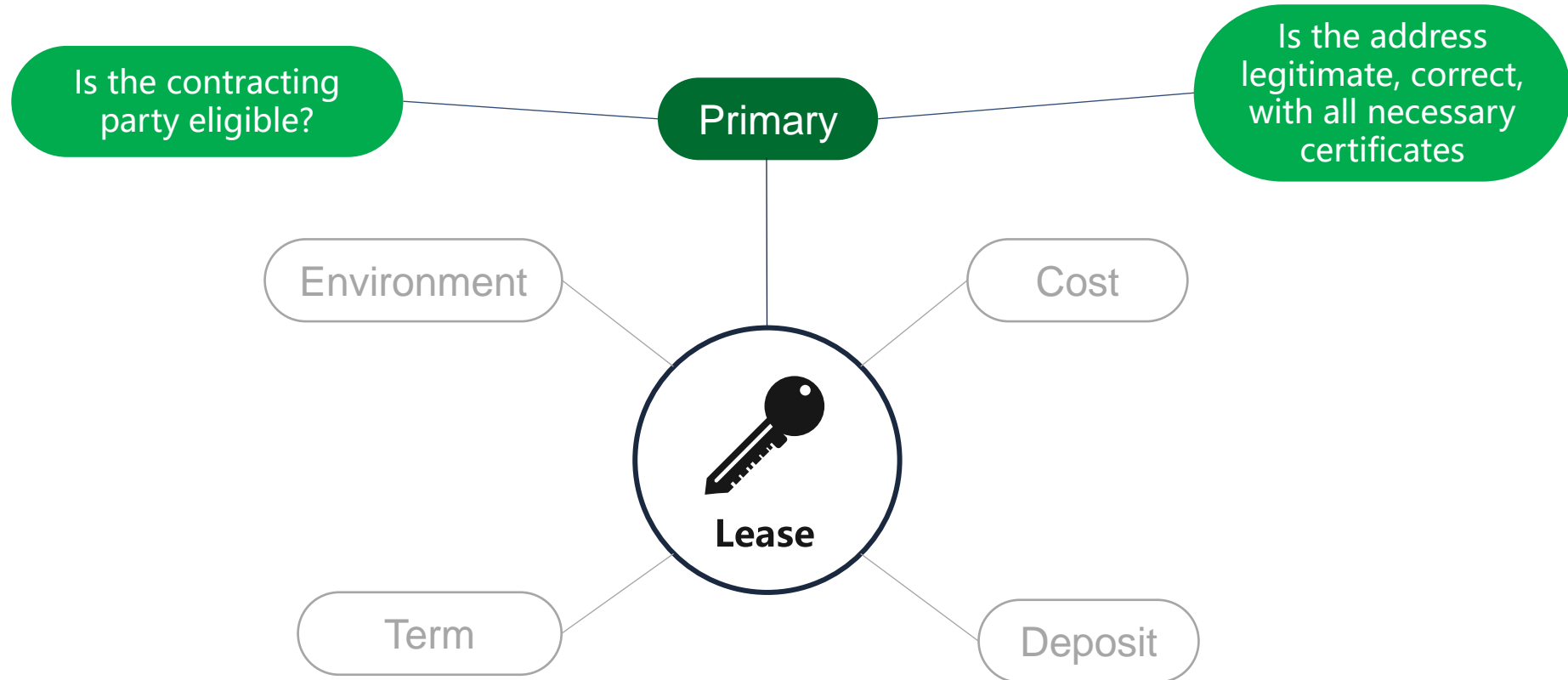
PART 02

**Key Reviewing Points
for Office Lease**

Key Reviewing Points for Office Lease



Key Reviewing Points for Office Lease



Key Reviewing Points for Office Lease

证 明

兹证明广州 [redacted] 咨询服务有限公司有权转租其位于广州市天河区 [redacted] 广场写字楼 23 楼 (单元) 所租用之地方予其他客户作商业办公室用途。由转租行为引起的损失, 由广州 [redacted] 咨询服务有限公司承担全部责任。

有效期自 2018 年 [redacted] 日起至 2023 年 [redacted] 日止。

此证明复印件加盖广州 [redacted] 咨询服务有限公司公章后使用有效。

特此证明!

广州 [redacted] 房地 业有限公司
法定代表人签署: [redacted]
二〇一八年十二月十日

Authorization

Address

Name

粤房地权证 穗 字第 [redacted]

房地产权属人	广州 [redacted] 房地产有限公司		
身份证明号	[redacted]		
房屋性质	规划用途	办公	
房屋所有权取得方式	分割	共有情况	单独所有
房屋编号	登记时间	2009年 [redacted] 日	
房屋坐落	天河区 [redacted] 230 [redacted] 房		
房屋结构	钢筋混凝土结构	层数	46
建筑面积 (m ²)	[redacted]	套内建筑面积 (m ²)	[redacted]
地号	[redacted]	土地性质	国有
共用面积 (m ²)	[redacted]	自用面积 (m ²)	[redacted]
土地使用权取得方式	出让	土地使用年限	(凭[redacted]取得) 使用年 限 年

Ownership

Key Reviewing Points for Office Lease

第一条 租赁房屋基本情况

1.1 甲方出租给乙方的房屋坐落于深圳市南山区 喜之郎大厦 (工业区) N/A 栋 层 7B 号, 租赁形式: 整租 / 部分出租, 房屋建筑面积: 平方米, 使用面积: \ 平方米, 公摊面积: \ 平方米 (详见附件二房屋平面图), 房屋租赁用途: **办公**, 房屋编码: _____.

1.2 房屋权属状况:

不动产权利人或合法使用人为 广东 集团有限公司, 甲方持有: (房屋所有权证或不动产权证书 / 房屋买卖合同 / 房屋租赁合同 / 其他房屋来源证明文件), 房屋所有权证或不动产权证书编号: 深圳市不动产权第 号, 房屋 (是 / 否) 设定了抵押。

Lease

Commercial

房屋租赁凭证

登记备案号: 深房租南山

该房屋已按规定办理
租赁登记备案手续, 特发此证。

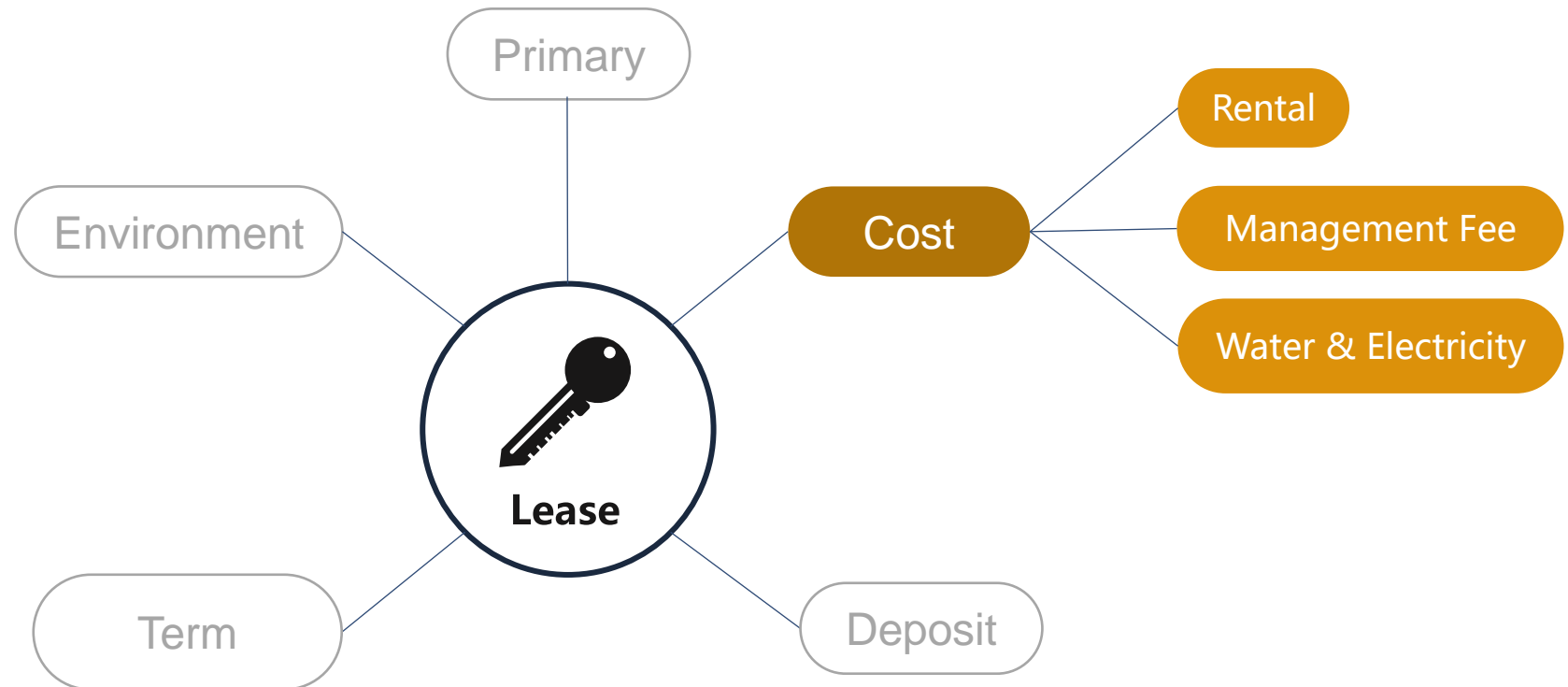
房屋坐落地址	喜之郎大厦 7B
房屋编码	44030500
出租人	
承租人	有限公司
租赁面积 (m ²)	
租赁用途	办公 Commercial
租赁期限	自2020年 月 01 日至2021年 月 31 日

签发人(签章):
登记备案机关(盖章):
初始发证日期: 2020年 月 日
持证人: 有限公司

他项权利摘要及附记

Lease Certificate

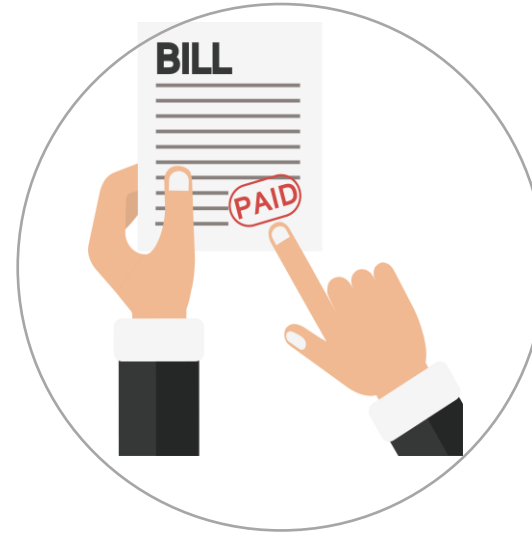
Key Reviewing Points for Office Lease



Key Reviewing Points for Office Lease



- ❖ Specify whether tax included
- ❖ Specify applicable tax rate



- ❖ Define payment recipient
- ❖ Make clear what kind of Fapiao (invoice) is required



- ❖ Agree on the frequency and scale of rent increase

Key Reviewing Points for Office Lease



Example

Rental

The rental amount set forth in this agreement **includes 5% VAT**, excludes property management fee and other expenses.

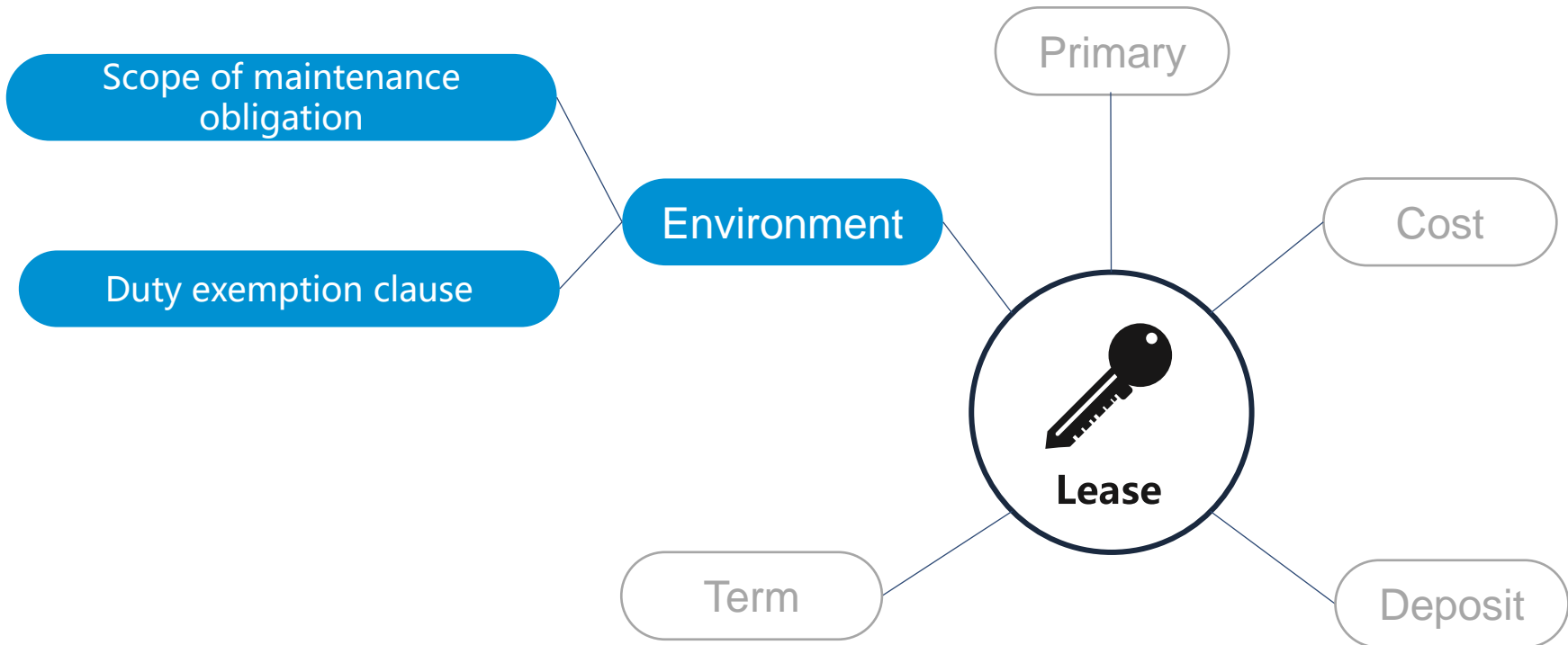
Management Fee

Party B shall pay monthly management fee to the property management service Party A engages then. The management fee is **¥ 36 per month per m² (6% VAT included)**.

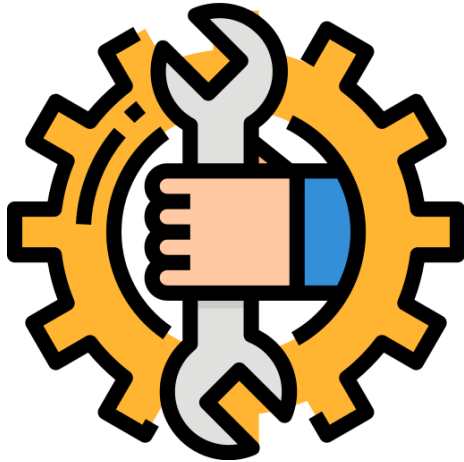
Water & Electricity

To maintain the management service quality, the management company is entitled to adjust the fee and other expenses due to increase of operation cost or mandate to increase by the authority, **provided it serves the tenants with a 30 days advanced written notice and the increase is not against relevant government regulation and is applicable to every tenants.**

Key Reviewing Points for Office Lease



Key Reviewing Points for Office Lease



- ❖ Confine the scope of maintenance obligations on the tenant
- ❖ Try to remove maintenance responsibilities of tenant for fixed facilities, public areas outside of the Leased Unit, Window/Exterior glass within the periphery of leased unit



- ❖ Try to minimize exemption scenarios for landlord
- ❖ Try to minimize harsh criteria for tenant leading to easy duty exemption of the landlord

Key Reviewing Points for Office Lease



Example

Maintenance Obligations

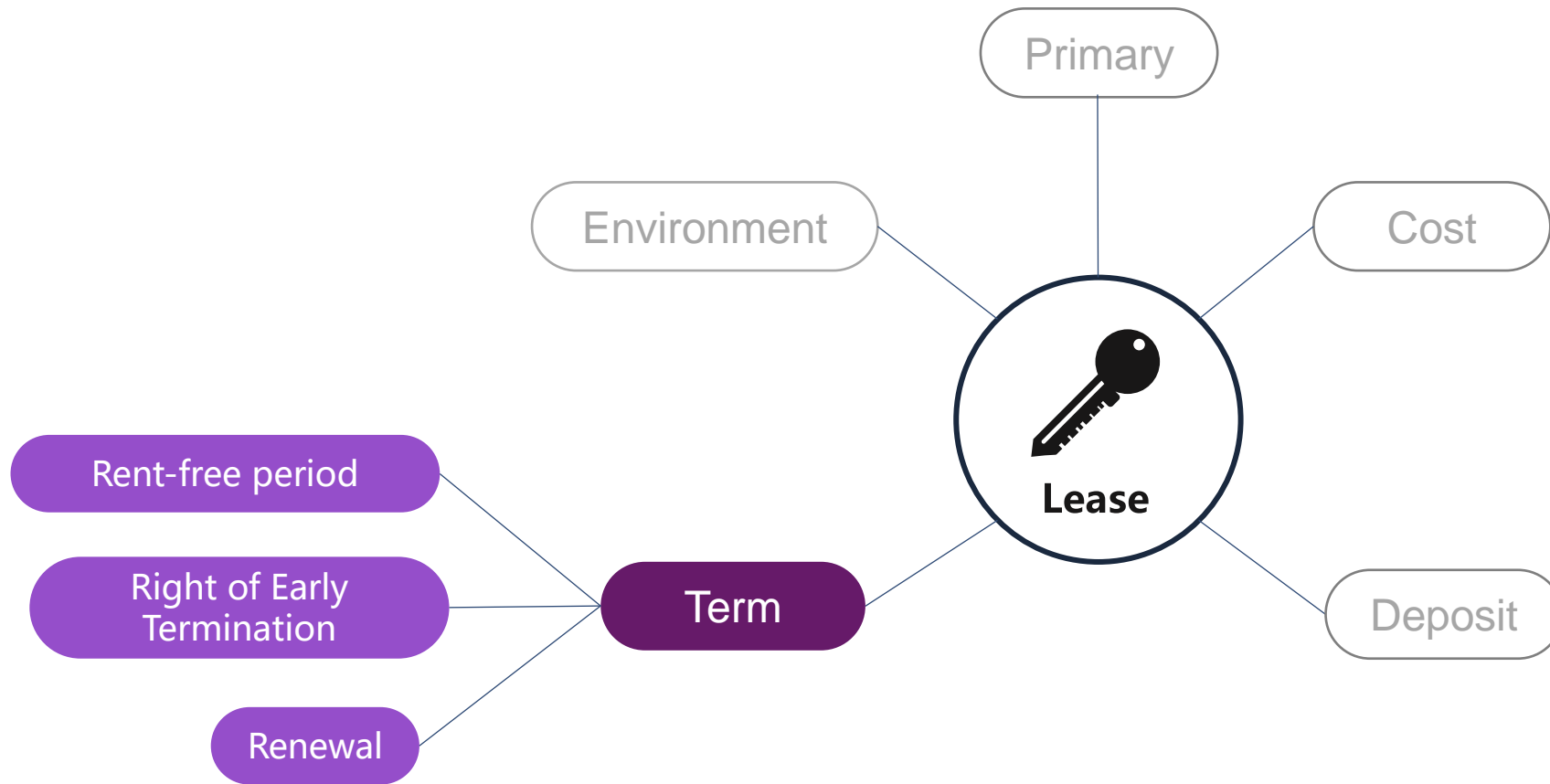
If Party B's **improper use, intentional destruction**, or **negligent use** causes the inherent facilities of the building in the leased site (such as fire protection system, sprinkler system, electrical installation, hot and cold water pipes, telephone bus, building automatic control system, air-conditioning coil fan and water supply and drainage) faulty, damaged, dangerous or unsafe, and needs to be replaced or repaired, Party B shall employ a contractor designated by Party A or approved by Party A to replace or repair, and Party B shall pay the relevant expenses.

Duty Exemption

Party A and/or the management unit shall not be responsible for and make any compensation (including loss of profit, rent reduction and rent-free period, etc.) for losses caused by Party B or any other person under any of the following circumstances, **unless the following circumstances are due to the intentional behavior or gross negligence of Party A and/or the management unit:**

- (1) Outage or suspension of electricity, water and gas supply or telecommunication services in the building;
- (2) Due to the breeding of mice, termites, cockroaches and other pests in the building;
- (3) Party B suffers damage or loss as a result of other tenants violating the rules of the management of the building.

Key Reviewing Points for Office Lease



Key Reviewing Points for Office Lease



- ❖ Design of Rent-free period
- ❖ Say **no** to **total pay-back** for rent-free period upon **early** termination



- ❖ Set **space** for early exit
- ❖ Set **standard** for early exit without being losing the deposit (*e.g. assistance to find equivalent lessee, 6 months notice*)



- ❖ Right of First Refusal
- ❖ No “Default Renewal” Only
- ❖ “Express Renewal”, *i.e. effective renewal needs co-signed written documents*

Key Reviewing Points for Office Lease



Example

Rent-free period

The lease term of this lease contract is three years from January 1, 2021 to December 31, 2023. **The rent-free period is three months, from January 1 to January 31, 2021, January 1 to January 31, 2022, and January 1 to January 31, 2023.**

Early Termination

During the lease period, on conditions that (i) Party B abides by the terms and conditions of this contract, (ii) Party B notifies Party A in writing six (6) months in advance, and (iii) Party B successfully recommends a new lessee with at least the same conditions as this contract and Party A has no vacancy losses, then Party B shall be entitled to early terminate this contract without any liability of breach.

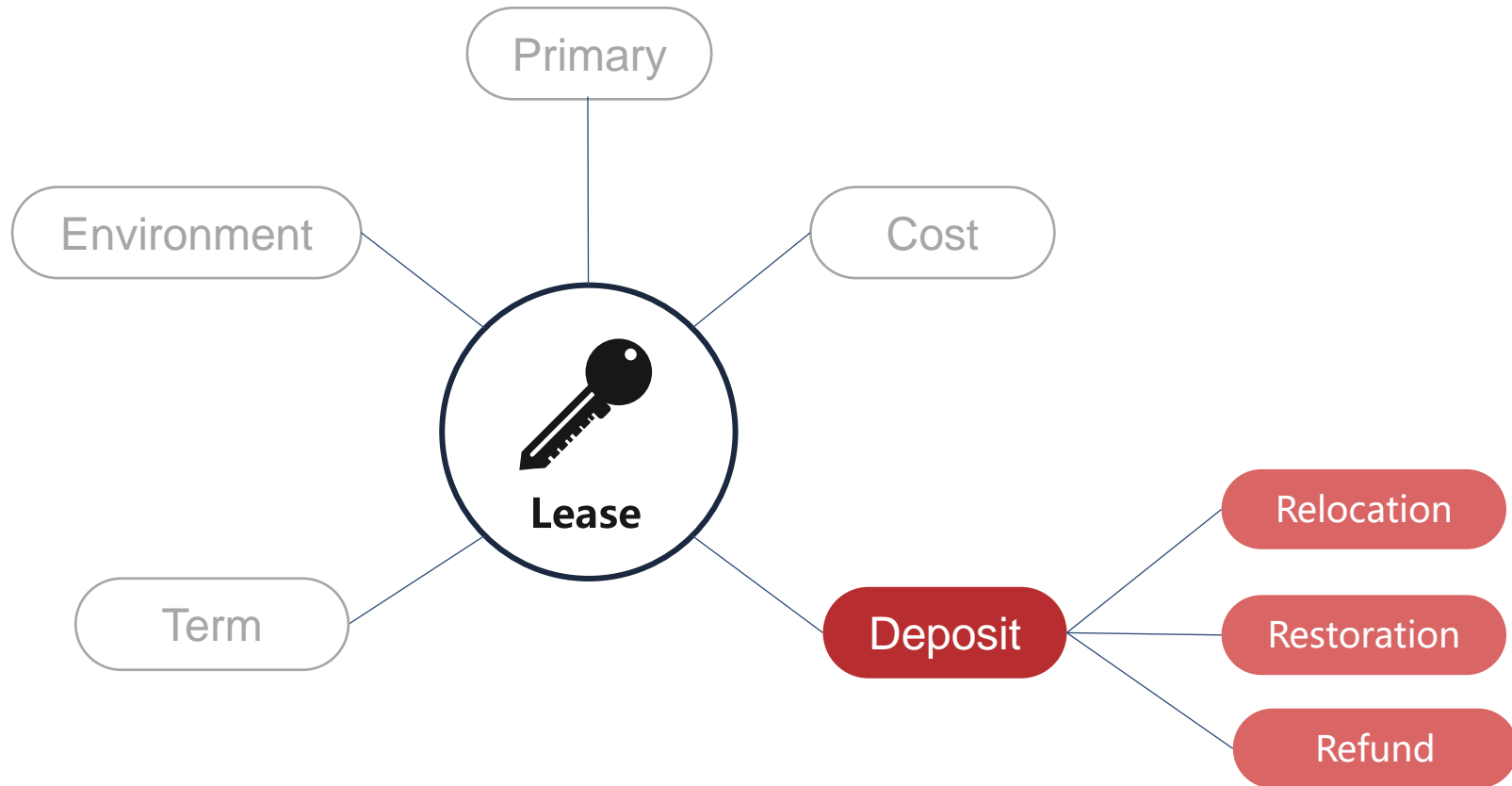
If Party B early terminates this contract in accordance with the immediately preceding paragraph, **Party B shall pay to Party A the rental of the enjoyed rent-free period in proportion to the early terminated period.**

Renewal

Under same conditions, Party B has the priority to issue a written renewal notice to Party A three months before the expiration of the lease term, thereby enjoying the right to renew the lease of the house for three years (hereinafter referred to as the "renewal period").

The rent during the renewal period shall be determined by both parties according to the open market rent at that time, but the monthly rent during the renewal period shall not be lower than the monthly rent of the house in the last month of the lease period, and **shall not be higher than 125% of the monthly rent in the last month of the current lease term.**

Key Reviewing Points for Office Lease



Key Reviewing Points for Office Lease



- ❖ All payable fees should be listed
- ❖ Must be clear when and how the deposit can be returned



- ❖ Reasonable Grace Period for removing the registered address in case of relocation: 30-90 days
- ❖ Do not link “Removing registered address” to “Return of Deposit”



- ❖ Try to avoid / exempt obligation of restoration to original status
- ❖ Propose options: restoration or compensation



- ❖ Simplify the condition for return of deposit
- ❖ Reasonable waiting period for the refund of deposit (e.g. within 2 weeks)
- ❖ Partial refund of deposit (if the conditions of refund are partially completed)

Key Reviewing Points for Office Lease



Example

Deposit

Party B shall pay Party A rental deposit of RMB 20,000. All the security deposit, rent, management fee, water and electricity miscellaneous fees and other expenses that Party B shall pay for the use of the leased premises have already been clearly stipulated in this contract, **nothing else other than clearly stipulated in this contract shall be paid by Party B to Party A, management company or any other third parties.**

Relocation

Party B shall deregister its registered address from the leased site **within 90 calendar days** from the date of termination regardless of the cause.

Restoration

Party A agrees in principle that **Party B does not need to restore the leased site to the original status upon termination of lease**, but Party B has no right to charge Party A any fees or require any offset for the decoration, facilities, etc. If Party A cannot accept Party B's current decoration when termination, Party B may choose to: **1) restore the leased site to its original status at its own expense; or 2) compensate Party A for the reasonable cost of restoration.**

Refund of Deposit

When the lease expires or early terminated, **if Party B has not committed any breach of contract for which remedial measures cannot be taken**, Party A shall refund the deposit to Party B **within ten (10) calendar days after Party B has handed over the leased premises and has paid off all the due amounts to Party A.**

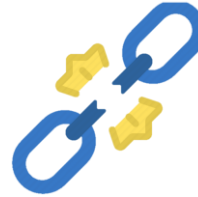
If Party A deducts any overdue payables by Party B from the deposit, Party A shall issue a VAT invoice to Party B for the not-refunded part.

PART 03

Negotiation Tactics for the Office Lease



Negotiation Tactics for the Office Lease



Know your “enemy”

- Are two parties across the table matching in size?
- The to-be-leased area's size? Lease term?
- Any fundamental flaws to the leased area?

Find an entry point

- If the building was newly opened and in urge need to be filled
- If you propose to rent a longer term
- If you can introduce new tenants
- If the building has fundamental flaws

Compromise bit by bit

- List all negotiable points regardless of its importance
- Make compromise step by step and bit by bit
- Stand the bottom line



Q & A

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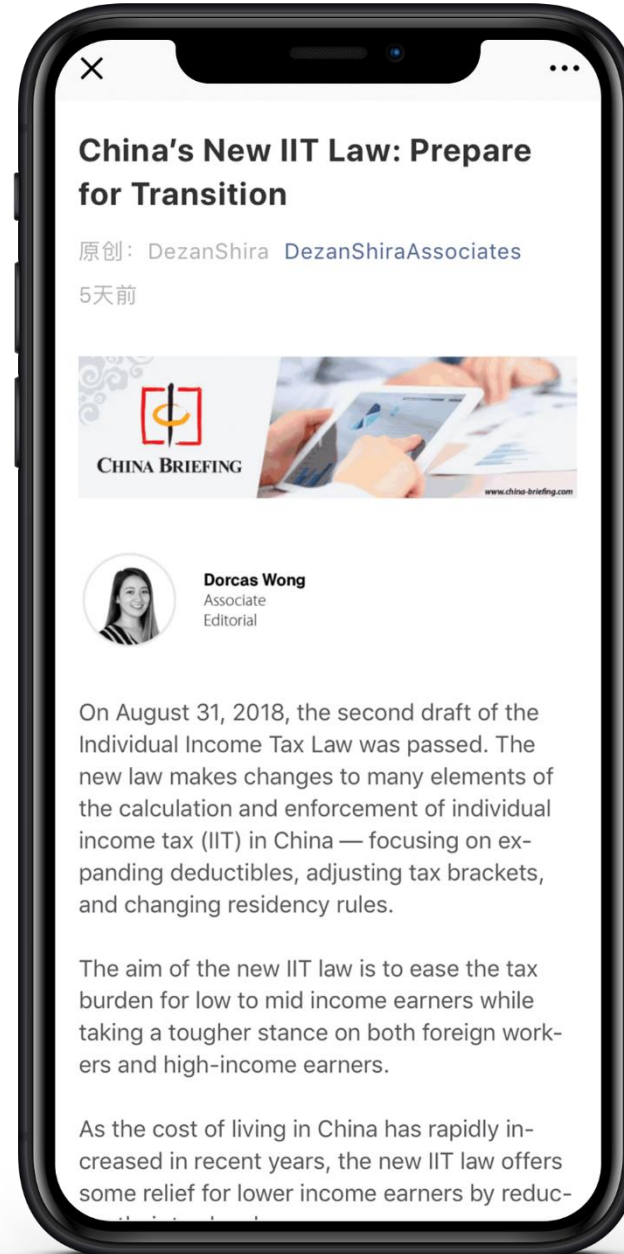


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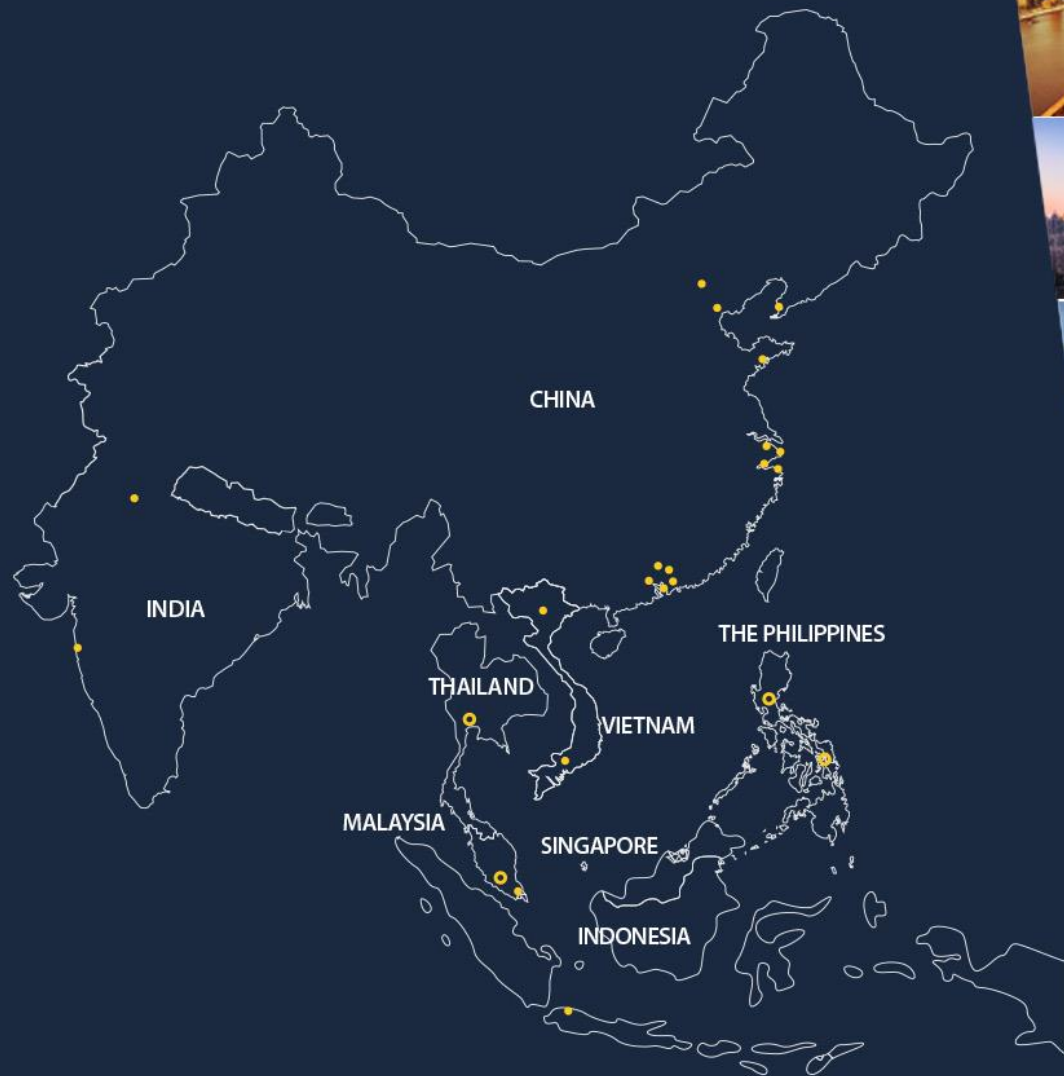
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