



Media Release

For Immediate Release

Updates from the Fair Tenancy Industry Committee

Code of Conduct for Leasing of Retail Premises in Singapore updated, taking in feedback from landlords, tenants and law firms.

Monday, 18 July 2022 [Singapore] – The Fair Tenancy Industry Committee (FTIC) gave an update on its work over the past year today, including the recent revisions to the Code of Conduct for Leasing of Retail Premises in Singapore (CoC).

2 Through the efforts of the Fair Tenancy Pro Tem Committee formed in June 2020, the CoC was introduced on 26 March 2021 to provide landlords and tenants a clear set of guidelines on fair retail tenancy negotiations. On 3 May 2021, the FTIC was formed to be the custodian of the CoC, and on 1 June 2021, the CoC came into effect for those who voluntarily pledged to comply with it.

3 Over the past year, FTIC partnered with the Association of Small and Medium Enterprises (ASME), Real Estate Developers' Association of Singapore (REDAS), REIT Association of Singapore, Restaurant Association of Singapore (RAS), Singapore Retailers Association (SRA), and the Law Society of Singapore to conduct seven outreach sessions to raise awareness of the CoC, educate key stakeholders on CoC principles, and provide support relating to the CoC. More than 1,000 landlords and tenants from the lifestyle, retail and F&B sectors attended the sessions.

4 FTIC has also been gathering feedback to aid in fine-tuning the CoC. Taking in the various feedback, FTIC made revisions to the CoC to minimise ambiguity of the clauses and to better cater to the needs of the industry. The revised CoC was published on 15 March 2022 and came into effect on 1 June 2022. The key revisions were:

- (i) Point-of-Sales system (POS system): The CoC covers scenarios on how existing tenants will share integration cost for POS systems with the landlords when required to share sales data. The revision addresses how new tenants will share cost with the landlords under specific conditions, such as when the landlords' prescribed system options are limited or are too expensive.

- (ii) Floor Area Alterations: Under the CoC, all new lettings need to be surveyed by a registered surveyor before the unit is handed over to the tenant. The revision allows both parties to waive this requirement if the floor area of the unit is below 300 square feet. Two clauses were also added to elaborate on the responsibilities between parties in the event the lease is terminated due to the surveyed floor area being smaller than the floor area specified in the lease agreement by more than 10%.
- (iii) Building Maintenance: An additional clause was added to clearly indicate the areas that landlords are responsible for, with respect to building maintenance under the lease agreement.
- (iv) Security Deposit: The CoC specifies a cap of three months' gross rent on the security deposit to be paid by tenants for leases involving floor area of up to 5,000 square feet and lease term of up to three years. The revision allows for an exception to be made when the security deposit amount is \$500 or less, even though it may be more than three months' gross rent. Such cases will be considered as compliant with the CoC.
- (v) Pre-termination by Landlord due to Landlord's Redevelopment Works: The CoC requires tenants to submit to landlords invoices of their fit-out works within three months of the completion of works, for the purposes of compensation in the event of pre-termination by landlords. To allow more flexibility, the revision provides for waiver of this requirement to submit invoices if the landlord accepts the pre-agreed estimated value of the tenant's Capex Works.

5 Please refer to Annex A for the infographics on the revisions to the CoC.

6 Over the past 13 months from 1 Jun 2021 to 30 Jun 2022, the Singapore Business Federation (SBF), as the secretariat of the FTIC, received and answered 364 enquiries on the CoC and fair tenancy from landlords, tenants, law firms and property agents, with the highest number of enquiries coming from landlords. The most commonly enquired topics were on the application of the CoC, the provisions on the costs to prepare the lease agreement and third party costs, and the process for declaring mutually agreed deviations allowed under the CoC. To help landlords and tenants with compliance with the CoC, we have created a step-by-step guide on the process of filing deviations and drafted a CoC-compliant lease agreement template that landlords and tenants can use.

7 FTIC also received 1,111 declarations of mutually agreed deviations permitted under the CoC. The CoC provides for mutually agreed deviation in four specific areas – exclusivity, sales performance, security deposit, and rental structure. For such mutually agreed deviations, both the landlord and tenant must submit a declaration to the FTIC and verify that they have agreed to the deviation via an acknowledgement process on the FTIC website. Of the declarations received, the largest number was for deviations on rental structure.

8 While compliance to the CoC remains voluntary pending legislation, eight private sector landlords and all Government landlords have publicly committed to

abide by the CoC. In addition, we have received declarations of mutually agreed deviations from a further 21 private sector landlords, which shows that at least 29 private sector landlords are complying with the CoC for some or all of their leases. Beyond these 29 landlords, we also received enquiries from a further 14 private sector landlords about the CoC. This is an encouraging sign that more landlords are looking into compliance with the CoC ahead of the legislation. The Fair Tenancy Pro Tem Committee had earlier recommended to the Government to legislate to make compliance with the CoC mandatory and the Government has accepted this recommendation.

9 Mr Max Loh, Chairman of FTIC said, “I am glad that since the CoC was introduced a year ago, landlords and tenants have given us feedback that the CoC has been beneficial in guiding their lease negotiations. I would like to express my appreciation to the industry partners and stakeholders for their valuable inputs and suggestions, which served as a useful guide for the revision of the CoC. Together with my fellow FTIC members, we will continue to serve as custodians of the CoC to strengthen collaboration between landlords and tenants, and support the growth of Singapore’s retail, F&B, and lifestyle sectors.”

10 Please refer to the FTIC website (www.ftic.org.sg) for Version 2 of the CoC. The composition of the FTIC can be found in Annex B.

Annex A: Infographic on Key Highlights of Revised CoC

Annex B: Composition of Fair Tenancy Industry Committee

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For media queries please contact:

Edna Chia	Tel: 6827 6814 (DID)	9790 8618 (Mobile)	Email: edna.chia@sbf.org.sg
Janice Ong	Tel: 6827 6840 (DID)	9755 1597 (Mobile)	Email: janice.ong@sbf.org.sg

About Singapore Business Federation

As the apex business chamber, the Singapore Business Federation (SBF) champions the interests of the business community in Singapore in trade, investment and industrial relations. Nationally, SBF acts as the bridge between the government and businesses in Singapore to create a conducive business environment. Internationally, SBF represents the business community in bilateral, regional and multilateral fora for the purpose of trade expansion and business networking.

For more information, please visit: www.sbf.org.sg

Annex A: Infographic on Key Highlights of Revised CoC

KEY HIGHLIGHTS ON REVISED CODE OF CONDUCT DATED 15 MARCH 2022 FOR LEASING OF RETAIL PREMISES IN SINGAPORE

EFFECTIVE 1 JUNE 2022

Leasing Principles for Key Tenancy Terms

Point-of-Sales System (POS)

- If landlords require POS integration, new tenants must purchase a POS system compatible for integration with landlord's system at tenant's costs.
- If there are limited options for a compatible system and cost to purchase a compatible system is substantially higher, cost must be borne by both parties on 50:50 cost sharing basis.

'Agreed Declared Value' to form Landlord's compensation due to Pre-termination for Landlord's Redevelopment works

- If tenant does not declare the actual value of the Tenant's Capex Works to landlord in writing and/or submit copies of the invoices within 3 months after completion of the works, landlord shall (acting reasonably) determine the 'Agreed Declared Value' having regard to the estimated value of the Tenant's Capex Works (where applicable).
- Landlord shall notify tenant in writing on the above determination.
- If landlord accepts the estimated value of the Tenant's Capex Works as the 'Agreed Declared Value', tenant is not required to declare the actual value of their Capex Works.

Security Deposit (SD)

- If rent comprises Gross Turnover (GTO), "gross rent" for computation of SD may include the projected GTO Rent.
- For escalating or staggered rental structures, "gross rent" may be calculated based on the lowest, average or highest rent rate payable during lease term, as per mutual agreement.
- The SD principle shall not apply if SD of 3 months' gross rent is equal to or less than S\$500.

Floor Area Alterations

- If agreed floor area of premises is equal to or less than 300 square feet, landlord and tenant may agree to waive the survey requirement.
- If surveyed floor area is smaller than originally specified area by more than 10%, either party can terminate lease. Both parties to comply to obligations stated in amended principle 9.4.
- The obligations are dependent on the status of possession of premises and the party that exercised the termination.

Building Maintenance

- The lease agreement shall contain an obligation on landlord to maintain
 - (i) the building if landlord owns such building; or
 - (ii) such part(s) of the building which are owned by landlord where the leased premises are located if the landlord does not own such whole building.

Annex B: Composition of Fair Tenancy Industry Committee

Name	Designation	Company
Mr Max Loh, Chairman	Former Managing Partner	Ernst and Young, Singapore and Brunei
Mr Marc Boey, Member	Executive Director of Planning & Acquisitions and Chief Operating Officer	Far East International, Far East Organization
Mr Chris Chong, Member	CEO	CapitaLand Retail and Workspace for Singapore and Malaysia
Ms Jesline Goh, Member	Chief Investment & Asset Officer	UOL Group Limited
Mr G. Jayakrishnan, Member	Executive Director	Enterprise Singapore
Mr Andrew Kwan, Member	Managing Director	Commonwealth Capital Group
Mr Lam Yi Young, Member	CEO	Singapore Business Federation
Mr Low Chee Wah, Member	CEO	Frasers Property Retail Ltd
Mr Henry Mok, Member	Founder and Chairman	HAP Group
Mr R Dhinakaran, Member	Immediate Past President	Singapore Retailers Association
Mr Desmond Sim, Member	CEO	Edmund Tie & Company (SEA)
Mr Kurt Wee, Member	President	Association of Small and Medium Enterprises
Mr Logan Wong, Member	Founder	Pure Senses Pte Ltd
Mr Terence Yow, Member	Managing Director	Enviably Me Group of Companies