

# Occupier Perspective Obligations of Occupation 2013 Americas



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We are pleased to release the 2013 Americas edition of our 'Obligations of Occupation' report. This edition provides a summary of key cost responsibilities and obligations associated with occupying and purchasing office space in 14 North American markets and 5 Central & South American markets. We cover Argentina, Chile and Colombia for the first time, thereby increasing our coverage in the region.

'Obligations of Occupation' is a reference guide to local market conventions as to how key cost responsibilities are shared between owners and occupiers. It is designed as a useful reference document for comparing practices and liabilities across countries and markets.

The report covers:

- Main aspects of lease structures
- Landlord and tenant responsibilities
- Occupier transaction costs
- Taxation liabilities of tenants related to occupancy
- Ownership restrictions
- Purchaser transaction costs
- Key changes in market practice since last year

This guide should be used alongside our yearly 'Global Occupancy Costs Offices' publication, our occupier flagship report which looks at total occupancy costs per workstation across 126 business districts in 49 countries worldwide.

Report coverage



Source: DTZ Research, ESRI

## Definitions

This document is not intended as a comprehensive guide and in a number of cases the information provided should be treated as illustrative of the typical way in which the individual markets work rather than being applicable to all situations.

**1B\*:** In some markets, buildings are delivered in ‘bare shell’ conditions meaning that only service and common areas are fully finished by the landlord. In others, landlords provide finished ceilings and/or flooring as standard delivery conditions. These have cost implications to the occupier of the space.

**Shell and core:** *Bare concrete shell (slab to slab), with service capped off at the core. The tenant carries out the interior fit-out of everything within the demised area, delivering floors, ceilings, interior A/C and all M&E work*

**Warm shell:** *Office building with a minimally finished interior, a heating & cooling system, drop ceilings, plumbing and restrooms, and interior lighting. No partitioning or raised floors*

**Category A:** *Raised floors and ceilings only. All lighting and A/C delivered for an open plan space. No partitioning provided. The tenant does the rest*

**Fully Fitted:** *Turnkey fit-out provided by the landlord. The office building is ready for the tenant to move in*

**1B1\*:** In most cases, fit-out costs are paid by tenants. However, there are increasing instances of landlords paying for some of the fit-out costs incurred by tenants. In the US, expenses for basic fit-outs are typically woven into the construction costs for shell and core, paid by the developer. Costs for more advanced fit-outs are negotiated with the tenant, who receives an allowance from the landlord (see 1Dii for further information).

**1C1\*:** Typical amount of rent used to secure the lease (depending on covenant strength).

**1Di\*:** Typical rent-free months a tenant can obtain from a landlord upon signing a new lease term. The rent-free period takes place at the beginning of a tenancy and throughout its duration no rent is payable by the tenant. It is given either as an inducement to the tenant to enter into a new lease or as recognition of the fact that until the tenant’s fit-out work is complete, it cannot use the premises for its business.

**1Dii\*:** Tenant improvement refers to a construction project or remodeling of leased space to accommodate the specific needs of a lessee. These may include the installation of interior walls, special wiring, flooring, signage, lighting, etc. The cost and responsibility for tenant improvements is usually a matter of rigorous negotiation. In new construction, such as a shopping center, the owner/ builder will grant the tenant an allowance (budget) for certain improvements, beyond which costs the tenant may be liable.

**1F\*:** Where the tenant’s right to renew the lease after expiration is protected by legislation and unless notice is served (by either party), current occupancy terms carry over.

**1G\*:** Review of rent schedule within the defined period outlined in the lease terms.

**1Iii\*:** It is common in the US for tenants to pay unamortized costs and a termination fee on early termination of the lease.

**1Ji\*:** Rentable square feet is the space measurement which incorporates both the “useable square feet” measurement (the space usually contained within the demised premises) as well as the common area (or a proportion of the total common area if the whole building is not occupied by a single tenant).

**1Jiii\*:** Payments regularly included in the rental charge.

**1Jiv\*:** Regular payments to the landlord not included in the rental charge.

**2\*:** Responsibilities of the landlord and tenant for extraordinary costs (other than those agreed to be paid such as rent, service charge, insurance etc).

**2A\*:** Repairs necessary to the structure of the building itself.

**2B\*:** Repairs to tenant’s premises (common areas not included) and often as a result of wear and tear and occupation.

**2C\*:** Maintenance of the space that the tenant has leased (not maintenance of common areas paid through the service charge).

**3C\*:** In some countries it is not a requirement to have leases drafted by lawyers; however, many international clients normally seek legal advice.

		1. Lease structure							
		A Standard lease document	B Standard space delivery conditions*	B1 Standard fit-out costs per sq ft or sq m (local currency)*	C Rent payable every	C1 Rent guarantee period*	D Incentives		E Typical lease length
							i Typical rent free period*	ii Tenant's improvement contributions*	
North America	Atlanta	No	Building codes determine basic requirements	USD 60-100 per sq ft (for prime buildings), including most move-related costs such as design and engineering	Month	1-2 months rent (depending on credit worthiness)	6 to 9 months on a 5 year lease (usually 1 to 1.5 months per year of lease term)	USD 30-40 per sq ft on a 5 year lease; USD 50-70 per sq ft on a 10 year lease (paid by the landlord, not the tenant)	3-10 years <sup>1</sup>
	Boston	No	Building codes determine basic requirements	USD 80-160 per sq ft (for prime buildings), including most move-related costs such as design and engineering	Month	3-12 months, negotiable. Depends on terms, tenant improvements (TI) and other concessions as well as the credit of the tenant	Negotiable, depends on term length. Usually 3-5 months for 10 year lease	Negotiable, depends on terms with landlord. The average TI is USD 41.86 for a direct leasing. Landlords are also offering turnkey buildouts instead of TI <sup>1</sup>	5-10 years for direct lease mostly
	Chicago	No	Building codes determine basic requirements; other requirements are negotiable	USD 80-160 per sq ft (for prime buildings), including most move-related costs such as design and engineering	Month	2-6 months rent depending on TI and lease term which are negotiated	1 month gross per year of term	USD 25-35 per sq ft on a 5 year lease; USD 50-70 per sq ft on a 10 year lease (paid by the landlord, not the tenant)	Under 20K sq ft: 3-7 years Over 20K sq ft: 7-15 years
	Dallas	No	Building codes determine basic requirements	USD 80-160 per sq ft (for prime buildings), including most move-related costs such as design and engineering	Month	1-6 months rent depending on size, term and tenant credit quality <sup>1</sup>	6-9 months (usually a percentage of lease term)	USD 15-20 per sq ft on a 5 year lease; USD 25-35 per sq ft on a 10 year lease (paid by the landlord, not the tenant)	Under 10K sq ft: 3 -5 years. Over 10K sq ft: 5-10 years
	Houston	No	Building codes determine basic requirements	USD 40-60 per sq ft (for prime buildings), including move-related costs such as design and engineering	Month	1-3 months rent (deal dependent)	3 months	USD 25 per sq ft on a 5 year lease; USD 40-50 per sq ft on a 10 year lease <sup>1</sup>	Under 20K sq ft: 5 years. Over 20K: 10-15 years
	Los Angeles	No	Building codes determine basic requirements	USD 80-160 per sq ft (for prime buildings), including most move-related costs such as design and engineering	Month	1-3 months rent (depending on credit worthiness)	5 months on a 5 year lease (usually 1 month per year) <sup>1</sup>	USD 20-40 per sq ft depending on lease length <sup>1</sup>	Under 5K sq ft: 2-5 years. Over 5K sq ft: 5-10 years
	Miami	No	Building codes determine basic requirements	USD 80-160 per sq ft (for prime buildings), including most move-related costs such as design and engineering	Month	1-3 months rent (depending on credit worthiness)	6 months on a 5 year lease (usually 1 month per year)	USD 20-30 per sq ft on a 5 year lease; USD 40 per sq ft on a 10 year lease (paid by the landlord, not the tenant)	5-7 years
	New York City (Midtown)	No	Building codes determine basic requirements	USD 80-165 per sq ft (for prime buildings), including most move-related costs such as design and engineering	Month	3-12 months, negotiable. Depends on terms, TI and other concessions as well as the credit of the tenant	Negotiable, depends on the term length. Usually 3-5 months for a 10 year lease	Negotiable, depends on the terms with the landlord. The average TI is USD 41.86 for a direct leasing. Landlords are also offering turnkey buildouts instead of TI <sup>1</sup>	5-10 years for direct lease mostly
	New York City (Downtown)	No	Building codes determine basic requirements	USD 80-165 per sq ft (for prime buildings), including most move-related costs such as design and engineering	Month	3-12 months, negotiable. Depends on terms, TI and other concessions as well as the credit of the tenant	Negotiable, depends on the term length. Usually 3-5 months for a direct 10 year lease	Negotiable, depends on the terms with the landlord. In New York, the average TI is USD 65.7 for a direct leasing. Landlords are also offering turnkey buildouts instead of tenant's improvement <sup>1</sup>	5-10 years for direct lease mostly
	Philadelphia	No	Building codes determine basic requirements	USD 80-160 per sq ft (for prime buildings), including most move-related costs such as design and engineering	Month	1-3 months rent (depending on credit worthiness)	6 months on a 5 year lease (usually 1 month per year)	USD 25-35 per sq ft on a 5 year lease; USD 50 per sq ft on a 10 year lease (paid by the landlord, not the tenant) <sup>1</sup>	5-10 years
	San Francisco	No	Building codes determine basic requirements	USD 80-160 per sq ft (for prime buildings), including most move-related costs such as design and engineering	Month	1-12 months rent, depending upon credit and lease term <sup>1</sup>	1-3 months	USD 15-60 per sq ft	Under 5K sq ft: 2-5 years. Over 5K sq ft: 3 -10 years
	Seattle	No	Building codes determine basic requirements	USD 45-75 per sq ft (for prime buildings in shell condition), including some move-related costs such as design and engineering, relocation, etc	Month	1-12 months rent, depending upon credit and lease term	1 month for each lease year	USD 35-60 per sq ft (paid by the landlord, not the tenant)	Under 5K sq ft: 3-5 years. Over 5K sq ft: 5-10 years
	Washington DC	No	Building codes determine basic requirements	USD 80-160 per sq ft (for prime buildings), including most move-related costs such as design and engineering	Month	Most often 1-3 months rent but there are instances where it could be higher (depends on credit worthiness)	6 months on a 5 year lease (usually 1 month per year)	USD 25-35 per sq ft on a 5 year lease; USD 40-75 per sq ft on a 10 year lease (paid by the landlord, not the tenant)	3-10 years <sup>1</sup>
	Canada	No, however lease documents are often standardized within a building portfolio where all of the ownership parties are the same	Category A	Typically CAD 35-45 per sq ft	Month	Typically first month's gross rent + security deposit (equal to a month's rent) to be held by landlord during the lease	1-3 months	CAD 25-30 per sq ft	5-10 years
Central & South America	Argentina	No	Building codes determine basic requirements; other requirements are negotiable	USD 500-800 per sqm	Month	1-2 months rent (depending on credit worthiness)	Negotiable by agreement. Typically 2-3 months	None. Rent-free period offered in lieu of landlord's contributions to tenant's improvements	Minimum 3 years up to 10 by law
	Brazil	No	Building codes determine basic requirements	BRL 2,000-2,500 per sq m (for prime buildings)	Month	12 Months Rent + Condo + Property Tax	1-3 months	None. Rent-free period offered in lieu of landlord's contributions to tenant's improvements	3-5 years
	Chile	No	Shell & core	15 to 20 UF/ sq meter, equivalent to US\$720 - 960 per square meter	Month	1-2 months rent	Negotiable by agreement. Typically 2-3 months	None. Rent-free period offered in lieu of landlord's contributions to tenant's improvements	3-5 years for small spaces, 7-10 years for larger spaces
	Colombia	No	Shell & core	COP 120.000-150.000 per sq ft (for prime building)	Month	2-3 months rent or, guarantee or rental insurance policy	1-2 months	None. Rent-free period offered in lieu of landlord's contributions to tenant's improvements	3-5 years
	Mexico	No	Shell & core	USD 450-600 per sq m	Month	2 months rent	Negotiable by agreement depending on leased area Typically 2-3 months	None. Rent-free period offered in lieu of landlord's contributions to tenant's improvements	3-5 years for small spaces, 5-10 years for larger spaces

<sup>1</sup>See comments on page 9

		1. Lease structure					
		F Statutory right to renew the lease*	G Frequency of rent reviews*	H Frequency and basis of indexation of rent	I Lease disposal		
					i Subletting/ assignment rights	ii Early termination rights*	iii Reinstatement to original condition on termination
North America	Atlanta	No statutory right, but negotiable by agreement	Negotiable	Annual or at specified future dates as per agreement (fixed or a rate of rent)	Negotiated in the lease. Usually subject to landlord's consent	Via break clause only. Tenant usually pays financial penalties	Removal of tenant's furnishing, returning the premises in good condition with fair wear & tear exempted. Some leases/landlords require removal of IT wires and cabling
	Boston	No statutory right, but negotiable by agreement	Negotiable	Annual or at specified future dates as per agreement	Negotiated in the lease. Usually subject to landlord's consent	Via break clause only. Tenant usually pays financial penalties	Removal of tenant's furnishing, returning the premises in good condition with fair wear & tear exempted
	Chicago	No statutory right, but negotiable by agreement	Negotiable (Typically at end of term)	Annual or at specified future dates as per agreement (fixed or a rate of rent)	Negotiated in the lease. Usually subject to landlord's consent	Via break clause only. Tenant usually pays financial penalties which are typically unamortized costs	Removal of tenant's furnishings and cabling, returning the premises in good condition with fair wear & tear exempted (Broom Clean Condition)
	Dallas	No statutory right, but negotiable by agreement	Negotiable	Annual or at specified future dates as per agreement	Negotiated in the lease. Usually subject to landlord's consent	Via break clause only. Tenant usually pays financial penalties	Removal of tenant's furnishing, returning the premises in good condition with fair wear & tear exempted
	Houston	No statutory right, but negotiable by agreement	Negotiable	Annual or at specified future dates as per agreement (expressed in the lease)	Negotiated in the lease. Usually subject to landlord's consent	Via break clause only. Tenant usually pays financial penalties	Removal of tenant's furnishing, returning the premises in good condition with fair wear & tear exempted
	Los Angeles	No statutory right, but negotiable by agreement	Negotiable	Annual or at specified future dates as per agreement (fixed or a rate of rent)	Negotiated in the lease. Usually subject to landlord's consent	Via break clause only. Tenant usually pays financial penalties	Restoration of tenant modifications is negotiable. Fair wear & tear exempted
	Miami	No statutory right, but negotiable by agreement	Negotiable	Annual or at specified future dates as per agreement (fixed or a rate of rent)	Negotiated in the lease. Usually subject to landlord's consent	Via break clause only. Tenant usually pays financial penalties	Removal of tenant's furnishing, returning the premises in good condition with fair wear & tear exempted
	New York City (Midtown)	No statutory right, but negotiable by agreement	Negotiable	Annual or at specified future dates as per agreement	Negotiated in the lease. Usually subject to landlord's consent	Via break clause only. Tenant usually pays financial penalties	Removal of tenant's furnishing, returning the premises in good condition with fair wear & tear exempted
	New York City (Downtown)	No statutory right, but negotiable by agreement	Negotiable	Annual or at specified future dates as per agreement	Negotiated in the lease. Usually subject to landlord's consent	Via break clause only. Tenant usually pays financial penalties	Restoration of tenant modifications is negotiable. Fair wear & tear exempted
	Philadelphia	No statutory right, but negotiable by agreement	Negotiable	Annual or at specified future dates as per agreement (fixed or a rate of rent)	Negotiated in the lease. Usually subject to landlord's consent	Via break clause only. Tenant usually pays financial penalties	Removal of tenant's furnishing, returning the premises in good condition with fair wear & tear exempted
	San Francisco	No statutory right, but negotiable by agreement	No rent review. Rent increases established in lease document	Annual or at specified future dates as per lease agreement. Typically USD 1.00 per sq ft annual increases	Negotiated in the lease. Usually subject to landlord's consent	Via break clause only. Tenant usually pays financial penalties	Removal of tenant's furnishing, returning the premises in good condition with fair wear & tear exempted
	Seattle	No statutory right, but negotiable by agreement	Negotiable	Annual or at specified future dates as per agreement	Negotiated in the lease. Usually subject to landlord's consent	Via break clause only. Tenant usually pays financial penalties	Removal of tenant's furnishing and cabling, returning the premises in good condition with fair wear & tear exempted
	Washington DC	No statutory right, but negotiable by agreement	Negotiable	Annual or at specified future dates as per agreement (fixed or a rate of rent)	Negotiated in the lease. Usually subject to landlord's consent	Via break clause only. Tenant usually pays financial penalties	Removal of tenant's furnishing, returning the premises in good condition with fair wear & tear exempted
	Canada	No statutory right, but typically included in the lease, usually a landlord favorable provision - normally states that the rent not be less than the rent payable in the last month of the initial term of the lease	Negotiable	By agreement, usually every 5 years	Subject to landlord's consent. Usually the subletter has no right to profit	Negotiable. Tenant pays termination fees	Yes, unless obligation is negotiated out of lease. However, the tenant is still often required to remove "nonstandard leaseholds" such as internal staircases
Central & South America	Argentina	No statutory right, but negotiable by agreement	By agreement	Annual or at specified future dates as per agreement (expressed in the lease)	Subject to written consent by landlord. Usually not necessary due to statutory termination right	Tenant has statutory right to terminate after 6 months with 60 days notice and 1 or 1.5 months penalty	Restoration of tenant modifications is negotiable. Fair wear & tear exempted
	Brazil	No, but negotiable by agreement. If the lease agreement term is 5 years, the tenant has a statutory right to renew the agreement	Brazilian law permits tenant and landlord to review base rent every 3 years	Annual; based on a local inflation index. IGPM is the most applicable index	Subject to written consent by landlord	Per law: tenant may terminate a lease agreement, but financial penalties would apply	Yes, unless otherwise agreed in the lease agreement.
	Chile	No statutory right, but negotiable by agreement	Negotiable	Rent calculated in UF, currency that includes inflation index.	Negotiated in the lease. Usually subject to landlord's consent	Via break clause only. Tenant pays financial penalties	No, all improvements remain the property of the landlord unless otherwise negotiated in lease
	Colombia	No statutory right, but negotiable by agreement	By agreement	Annual; based on the IPC (Consumer Price Index) plus 2-4 points	Negotiated in the lease. Usually subject to landlord's consent	Via break clause only. Tenant usually pays financial penalties	Yes, unless the landlord accepts no cost improvements
	Mexico	No statutory right, but negotiable by agreement	By agreement	Annual; based on the CPI index	Subject to landlord's consent, not unreasonably withheld	Via break clause only. Tenant pays financial penalties	No, all improvements remain the property of the landlord

		1. Lease structure				2. Landlord and tenant responsibilities*			
		J Rents				A Structural repairs*	B Internal repairs*	C Maintenance of tenant area*	D Landlord insures and recovers cost from tenant
		<i>i Basis of measurement*</i>	<i>ii Unit of measurement</i>	<i>iii Inclusions*</i>	<i>iv Exclusions*</i>				
North America	Atlanta	Rentable	USD per sq ft per year	Operating expenses (including "typical" electrical usage), real estate taxes, insurance, CAM (Common Area Maintenance)	After hours HVAC (Heating, Ventilation and Air Conditioning)	Landlord	Landlord makes repairs (tenant might have to pay)	Landlord maintains (part of opex)	Yes, landlord insures building and recovers cost from tenant. Tenant insures their demise
	Boston	Rentable	USD per sq ft per year	Operating expenses, real estate taxes, insurance, CAM, utilities	Electric charges	Landlord	Tenant, unless it is a gross lease	Tenant, unless it is a gross lease	Yes, landlord insures building and recovers cost from tenant. Tenant insures their demise
	Chicago	Rentable SF based on BOMA (Buildings Owners and Managers Association) standards	USD per sq ft per year	Operating expenses, real estate taxes, insurance, CAM, utilities (gross lease)	None	Landlord	Landlord makes repairs (tenant might have to pay)	Landlord (included in operating expenses)	Yes, landlord insures building and recovers cost from tenant. Tenant insures their demise
	Dallas	Rentable	USD per sq ft per year	Operating expenses, real estate taxes, insurance, CAM, utilities	None	Landlord	Landlord makes repairs -- tenants are specifically forbidden from making structural repairs; (tenant or landlord pays)	Landlord (included in operating expenses)	Yes, landlord insures building and recovers cost from tenant. Tenant insures their demise
	Houston	Rentable	USD per sq ft per year	Insurance, CAM, utilities	Operating expenses, taxes (some landlord's also charge a 3% management fee)	Landlord	Tenant	Tenant	Yes, landlord insures building and recovers cost from tenant. Tenant insures their demise
	Los Angeles	Rentable	USD per sq ft per year in CBD, per month elsewhere	Operating expenses, real estate taxes, insurance, CAM, utilities	Capital improvements	Landlord	Landlord makes repairs (tenant might have to pay)	Landlord (included in operating expenses)	Yes, landlord insures building and recovers cost from tenant. Tenant insures their demise
	Miami	Rentable	USD per sq ft per year	Operating expenses, real estate taxes, insurance, CAM	CBD: net lights and plugs charges. Suburbs: net lights, plugs, HVAC	Landlord	Landlord makes repairs (tenant might have to pay)	Landlord (part of opex)	Yes, landlord insures building and recovers cost from tenant. Tenant insures their demise
	New York City (Midtown)	Rentable	USD per sq ft per year	Operating expenses, real estate taxes, insurance, CAM, utilities	Electric charges	Landlord, excluding reductions of operating expenses, improvements required by gvt regulations	Tenant	Tenant	Yes, landlord insures building and recovers cost from tenant. Tenant insures their demise
	New York City (Downtown)	Rentable	USD per sq ft per year	Operating expenses, real estate taxes, insurance, CAM, utilities	Electric charges	Landlord, excluding reductions of operating expenses, improvements required by gvt regulations	Tenant	Tenant	Yes, landlord insures building and recovers cost from tenant. Tenant insures their demise
	Philadelphia	Rentable	USD per sq ft per year	Operating expenses, real estate taxes, insurance, CAM	CBD: net lights and plugs charges. Suburbs: net lights, plugs, HVAC	Landlord	Landlord makes repairs (tenant might have to pay)	Landlord (part of operating expenses)	Yes, landlord insures building and recovers cost from tenant. Tenant insures their demise
	San Francisco	Rentable	USD per sq ft per year	Operating expenses, real estate taxes, insurance, CAM, utilities	Capital expenses, other negotiated items	Landlord	Tenant	Tenant	Yes, landlord insures building and recovers cost from tenant. Tenant insures their demise
	Seattle	Rentable	USD per sq ft per year	Operating expenses, real estate taxes, insurance, CAM, utilities	None	Landlord	Tenant	Tenant	Yes, landlord insures building and recovers cost from tenant. Tenant insures their demise
	Washington DC	Rentable	USD per sq ft per year	Operating expenses, real estate taxes, insurance, CAM, utilities, cleaning	CBD: net electric. Suburbs: net electric, HVAC	Landlord	Landlord makes repairs (tenant might have to pay)	Landlord (part of opex)	Yes, landlord insures building and recovers cost from tenant. Tenant insures their demise
	Canada	BOMA 1996 with an option to convert to a new/different standard upon lease renewal or extension	CAD per sq ft per year	Operating expenses, real estate taxes, insurance, utilities	None	Landlord except roof repairs	Tenant	Tenant	Yes
Central & South America	Argentina	Rentable in sqm based in local practice or BOMA	USD per sqm per month	Parking	Property taxes, Common area maintenance, utilities and insurance	Landlord	Tenant with exceptions based on municipality's laws and building documentation	Tenant	Yes
	Brazil	Rentable	BRL per sq m per month	Parking	Operating expenses, property tax, utilities and insurance	Landlord	Tenant	Tenant	Yes
	Chile	Rentable	UF per sq m per month	Real estate taxes,	Operating and common areas costs, utilities, and insurance	Landlord	Tenant	Tenant	Yes
	Colombia	Rentable	COP per sq m per month	Parking	Operating expenses, property tax, utilities and insurance	Landlord	Tenant	Tenant	Yes
	Mexico	Gross Rentable	USD or MXN per sq m per month	None	Common area maintenance fee (CAM)	Landlord	Settled by agreement	Tenant	Yes

		3. Occupier transaction costs				4. Ongoing taxation liabilities of tenant	
		A Transfer tax	B Agent's fees <sup>2</sup>	B1 Tenant's agent's fees - responsible party (tenant/landlord)	C Legal fees*	A Local tax (% of annual rent)	B VAT (% of annual rent)
North America	Atlanta	None	2-4% of base rent to accrue over the lease term <sup>1</sup>	Landlord	Each party pays its own legal adviser	Property tax - landlord obligation and typically passed on to tenant based on % of facility occupied - above the set base year	None
	Boston	None	In CBD: USD 1.25-1.5 per sq ft per year, varied by landlords In suburban: USD 1.00-1.25 per sq.ft. per year	Landlord	Each party pays its own legal adviser	Property tax - landlord obligation and typically passed on to tenant based on % of facility occupied - above the set base year	None
	Chicago	None	USD 1-1.25 per sq ft per lease year: CBD-\$1.25 Suburbs-\$1-\$1.25 Sublease-\$1.50	Landlord	Each party pays its own legal adviser	Property tax - landlord obligation and typically passed on to tenant based on % of facility occupied	None
	Dallas	None	2.25% (half of tenant rep fees)	Landlord	Each party pays its own legal adviser	Property tax - landlord obligation and typically passed on to tenant based on % of facility occupied - above the set base year	None
	Houston	None	4% of gross value of lease excluding parking on first 10 years and 2% of gross value of lease excluding parking on last 10 years, paid by landlord	Landlord	Each party pays its own legal adviser	Property tax - landlord obligation and typically passed on to tenant based on % of facility occupied - above the set base year	None
	Los Angeles	None	4-6% of total lease value. Landlord and tenant's agents divide up commission	Landlord	Each party pays its own legal adviser	Property tax - landlord obligation and typically passed on to tenant based on % of facility occupied - above the set base year	None
	Miami	None	2% of total lease value in CBD. In the suburbs; 3% on first year, 2.5% of year 2, 2% of year 3, 1.5% of years 4 and 5, and then 1% for remaining years (always half of tenant rep's fees)	Landlord	Each party pays its own legal adviser	Property tax - landlord obligation and typically passed on to tenant based on % of facility occupied - above the set base year	None
	New York City (Midtown)	None	Rates on the first year or any fraction thereof: 5.0% On the second and third year and any fraction thereof: 4.0%. On the fourth year up to an including the fifth year: 3.5%	Landlord	Each party pays its own legal adviser	Property tax - landlord obligation and typically passed on to tenant based on % of facility occupied - above the set base year	None
	New York City (Downtown)	None	Rates on the first year or any fraction thereof: 5.0% On the second and third year and any fraction thereof: 4.0%. On the fourth year up to an including the fifth year: 3.5%	Landlord	Each party pays its own legal adviser	Property tax - landlord obligation and typically passed on to tenant based on % of facility occupied - above the set base year	None
	Philadelphia	None	2% of total lease value in CBD. In the suburbs, 3% on first year, 2.5% of year 2, 2% of year 3, 1.5% of years 4 and 5, and then 1% for remaining years (always half of tenant rep's fees)	Landlord	Each party pays its own legal adviser	Property tax - landlord obligation and typically passed on to tenant based on % of facility occupied - above the set base year	None
	San Francisco	None	USD 1.50 - 2.00 per sq ft per year of lease to the tenant's representative	Landlord	Each party pays its own legal adviser	Property tax - landlord obligation and typically passed on to tenant based on 95% - 100% of facility occupied	None
	Seattle	None	\$1 per square foot, per year	Landlord	Each party pays its own legal adviser	Property tax - landlord obligation and typically passed on to tenant based on % of facility occupied - above the set base year	None
	Washington DC	None	3-4% of total lease value in CBD and suburbs (usually half of tenant rep's fees) <sup>1</sup>	Landlord	Each party pays its own legal adviser	Property tax - landlord obligation and typically passed on to tenant based on % of facility occupied - above the set base year	None
	Canada	None	CAD 1.00 per sq ft leased per annum for lease years 1-5, CAD 0.60 / sq ft thereafter. Toronto has a slightly higher fee structure	Landlord	By agreement. Each party responsible for own legal adviser	Realty tax paid by landlord and charged back to tenants on proportionate share basis	Typically 5%
Central & South America	Argentina	None	Up to 5% total lease value	Tenant	Each party pays its own legal adviser	Property tax - landlord obligation and typically passed on to tenant based on 95% - 100% occupancy	21%
	Brazil	None	15% of one year lease	Tenant	By agreement. Each party responsible for own legal adviser	Property tax - landlord obligation and typically passed onto tenant based on % of facility occupied	None
	Chile	None	4% of total lease value (2% landlord, 2% tenant)	Tenant	By agreement. Each party responsible for own legal adviser	Property tax - landlord obligation	19%
	Colombia	None	5% of total lease value	Tenant	By agreement. Each party responsible for own legal adviser	Property tax - landlord obligation	16%
	Mexico	None	5% of total lease value for first 5 years of lease. And 2.5% for the remainder term	Landlord, even when representing tenant. Unless agreed otherwise	By agreement. Each party responsible for own legal adviser	Property tax - landlord obligation	16%

<sup>1</sup>See comments on page 9

<sup>2</sup>Fees vary by market and transaction size



		5. Ownership restrictions	6. Purchaser transaction costs				
		A Restriction on ownership of property by foreigners	A Transfer tax	B VAT	C Agent's fees <sup>2</sup>	D Legal fees	E VAT on transaction fees
North America	Atlanta	No, but many landlords require disclosure of foreign status	Market (city, county, state) dependent	None	1-4% (dependent on property value). Paid by either seller or buyer <sup>1</sup>	Each party pays its own legal adviser	None
	Boston	No	USD 4.56 per thousand dollars of the sales price in MA state	None	6% of USD 0 - 5,000,000; 5% of USD 5,000,001 - 10,000,000+	Each party pays its own legal adviser	None
	Chicago	No	No	None	1-8%, paid by seller. Payment split between listing & cooperative broker	Each party pays its own legal adviser	None
	Dallas	No	No	None	1-6% (dependent on property value). Paid by seller	Each party pays its own legal adviser	None
	Houston	No	No	None	2% of sales price by buyer	Each party pays its own legal adviser	None
	Los Angeles	No	USD 1.10 - 5.60 per USD 1000 sale price	None	1-6% (dependent on property value). Paid by seller	Each party pays its own legal adviser	None
	Miami	No	No	None	0.75-6% (dependent on property value). Paid by seller	Each party pays its own legal adviser	None
	New York City (Midtown)	No	In NY State, tax is computed at a rate of two dollars for each USD 500, or fractional part thereof, of consideration	None	6% of USD 0 - 5,000,000; 5% of USD 5,000,001 - 10,000,000+	Each party pays its own legal adviser	None
	New York City (Downtown)	No	In NY State, tax is computed at a rate of USD 2 for each USD 500, or fractional part thereof, of consideration	None	6% of USD 0 - 5,000,000; 5% of USD 5,000,001 - 10,000,000+	Each party pays its own legal adviser	None
	Philadelphia	No	3% of the sales price or the fair market value, if no sales price exists. In addition to this, the Commonwealth of Pennsylvania charges 1%, making a combined rate of 4%	None	0.75-6% (dependent on property value). Paid by seller	Each party pays its own legal adviser	None
	San Francisco	No	Dependant on value or consideration	None	1-6% (dependent on property value). Paid by seller	Each party pays its own legal adviser	None
	Seattle	No	1.78%	None	1-6% (dependent on property value). Paid by seller	Each party pays its own legal adviser	None
	Washington DC	No	No	None	2-4% (dependent on property value). Paid by seller <sup>2</sup>	Each party pays its own legal adviser	None
	Canada	No	Varies by province	Typically 5%	1-6% (dependent on property value). Paid by seller	By agreement. Each party responsible for own legal adviser	Typically 5%
Central & South America	Argentina	No	Stamp Taxes up to 2.5% in Buenos Aires, normally split between seller and buyer	Calculated based on total construction costs and only for first sale in the first 5 years	1-3% (dependent on property value). Paid by seller	By agreement. Each party responsible for own legal adviser	21%
	Brazil	Yes	Yes	None	6% (may be negotiable dependent on property value). Paid by seller	By agreement. Each party responsible for own legal adviser	None
	Chile	No	No	variable	4% of purchase value (2% landlord, 2% tenant)	By agreement. Each party responsible for own legal adviser	19%
	Colombia	No	No	None	3% (typically paid by seller)	By agreement. Each party responsible for own legal adviser	16%
	Mexico	The property must be at least 80 miles from the border and 40 miles from coast line, if not must purchase through a trust	ISAI, calculated in accordance with a annual indexation chart	16% in general, 11% on border states. Calculated based on total value of construction	5% (typically paid by seller)	By agreement. Each party responsible for own legal adviser	Typically 16%, 11% on border states, over the value of the constructions

<sup>1</sup>See comments on page 9

<sup>2</sup>Fees vary by market and transaction size



## Comments

This section highlights changes in market practice since last year.

1C1. Lease Structure - Rent guarantee period		
Metro	2012	2013
San Francisco	1-6 months rent	1-12 months rent, depending upon credit and lease term
Dallas	1-3 months rent	1-6 months rent depending on size, term and tenant credit quality
1Di. Lease Structure - Typical rent free period		
Metro	2012	2013
Los Angeles	6 months on a 5 year lease (usually 1 month per year)	5 months on a 5 year lease (usually 1 month per year)
1Dii. Lease Structure - Incentives - Tenant's improvement contributions		
Metro	2012	2013
Boston	The average TI is USD 35.30 for a direct leasing. Landlords are also offering turnkey buildouts instead of TI	The average TI is USD 41.86 for a direct leasing. Landlords are also offering turnkey buildouts instead of TI
Houston	USD 35 per sq ft on a 5 year lease; USD 40-50 per sq ft on a 10 year lease	USD 25 per sq ft on a 5 year lease; USD 40-50 per sq ft on a 10 year lease
Los Angeles	USD 25-45 per sq ft depending on lease length	USD 20-40 per sq ft depending on lease length
New York City (Midtown)	The average TI is USD 55 for a direct leasing. Landlords are also offering turnkey buildouts instead of TI	The average TI is USD 62.95 for a direct leasing. Landlords are also offering turnkey buildouts instead of TI
New York City (Downtown)	In New York, the average TI is USD 55 for a direct leasing. Landlords are also offering turnkey buildouts instead of tenant's improvement	In New York, the average TI is USD 65.7 for a direct leasing. Landlords are also offering turnkey buildouts instead of tenant's improvement
Philadelphia	USD 25-35 per sq ft on a 5 year lease; USD 40 per sq ft on a 10 year lease (paid by the landlord, not the tenant)	USD 25-35 per sq ft on a 5 year lease; USD 50 per sq ft on a 10 year lease (paid by the landlord, not the tenant)
1E. Lease Structure - Typical lease length		
Metro	2012	2013
Atlanta	5-10 years	3-10 years
Washington DC	5-10 years	3-10 years
3B. Occupier Transaction Costs - Agent's Fees		
Metro	2012	2013
Atlanta	Half of first full month's base rent plus 2% of remaining base rent to accrue over the remaining lease term	2-4% of base rent to accrue over the lease term
Washington DC	1.5% - 2% of total lease value in CBD and suburbs (usually half of tenant rep's fees)	3-4% of total lease value in CBD and suburbs (usually half of tenant rep's fees)
6C. Purchaser transaction costs - Agent's Fees		
Metro	2012	2013
Atlanta	0.75-6% (dependent on property value). Paid by either seller or buyer	1-4% (dependent on property value). Paid by either seller or buyer
Washington DC	0.75-6% (dependent on property value). Paid by seller	2-4% (dependent on property value). Paid by seller

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Obligations of Occupation Asia Pacific 2013  
Obligations of Occupation EMEA 2013  
Office Occupier Review Asia Pacific H1 2012  
Office Occupier Review Europe H1 2012  
The European Insurance Sector - June 2012  
The TMT Sector - October 2012

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