



## Chile

### THE LEASE

#### 1. How long are leases generally?

Lease terms range from 2 to 10 years, but 3 to 5 are currently more common.

#### 2. Is the lease legally binding?

Leases are legally binding but are rarely registered. Registration of the lease would protect tenants if, for example, the building were sold. If unregistered, a new owner could disregard the lease contract and terminate the tenant's occupancy.

#### 3. Are options to renew or extend the lease possible?

Yes, options to renew can be negotiated into the lease; the renewal term is generally 1 or 2 years. Normally leases renew automatically if there is no written notification from tenant or landlord prior termination, normally with 90 days of advance. The notice period can go from 180 to 60 days.

#### 4. What regulations cover sub-leasing or assigning of leases?

Sub-leasing is legal only if provided for in the original lease contract. Without a provision, the tenant is prohibited from sub-leasing without the landlord's consent.

#### 5. Can escape clauses be negotiated in the lease?

In most cases when the Tenant signs a lease contract for 5 or more years an escape clause is negotiated starting at the end of the 3<sup>rd</sup> year: the Tenant must give written notice to the Landlord of its intent to terminate, normally 90 to 120 days in advance of this date. In some cases penalties are involved.

### RENTAL

#### 1. In what monetary units are rents quoted?

Rents are quoted in Unidades de Fomento - UF (loosely translated, "Development Units"), a monetary unit related to the Consumer Price Index, per square meter per month. UF is a unit quoted in Chile that is adjusted according to Chilean internal inflation. It is obtained by using the previous month's consumer price index to determine the total monthly inflation and prorating it daily in the current month, yielding a daily UF value that can be predicted at the beginning of each month.

UF, however, has no direct relation to the Chilean Peso's exchange rate. The exchange rate can be determined directly by calculation. For example, as of June 30, 2004, one UF is equivalent to 17,014.95 Chilean Pesos; at the current exchange rate of US \$ 1 to 632.39 Chilean Pesos, one UF is equal to US\$ 26.91. In real estate terms, while the UF price remains steady throughout the term of a lease, its peso value will fluctuate keeping pace with inflation and thereby creating a hedge protection vehicle for landlords.

#### 2. Does the rental price include parking spaces?

In most cases prices are listed only for the floor on a UF per m<sup>2</sup> basis. Parking spaces should be rented separately but are included in the total monthly rent. The parking rental rate ranges from 1 space per 30 to 60 m<sup>2</sup> of office space. Normally, parking spaces cost UF 3.0 per unit individually.

#### 3. How is rent paid - monthly, annually?

Rent is paid monthly.



#### **4. What incentives are offered by the landlord?**

In some of the cases, 1 o 2 month's free rent can be negotiated, depending of the terms of the lease.

### **FACILITIES**

#### **1. How is floor space measured?**

Floor space is measured from the middle of the exterior wall and encompasses the entire tenancy area, including vertical penetrations and columns.

#### **2. What is generally provided by the landlord prior to occupation of the space?**

In Chile, space is delivered in unfinished condition. All tenant improvements must be approved by the landlord and paid for and constructed by the tenant. In general, the tenant should budget 8 to 10 UF/m<sup>2</sup> of office space. Previously used offices may already be complete with carpeting, lighting and false ceiling.

### **OTHER COSTS**

#### **1. What costs does the tenant incur at the time of occupation?**

In addition to fit-out costs, a tenant will also incur costs for furniture, telephone fixtures, lighting, and any specific requirements.

#### **2. Is key money charged or a security deposit required at the start of the lease?**

At the start of the lease, a security deposit equivalent to one month's rent is required.

#### **3. How are tenant improvements specified, paid for, and supervised?**

Any improvements desired by the tenant must be approved by the landlord and paid for by the tenant. In the event that the improvements are fixed, they remain with the space; otherwise, they belong to the tenant and may be removed at the termination of the lease.

#### **4. What additional costs should the tenant budget for during the term of the lease?**

In addition to base rent, the tenant must pay his portion of building administration, insurance, operating expenses, and utilities that can go from UF 0.05 to UF 0.1 per sqm.

#### **5. What costs is the tenant responsible for at the end of the lease?**

At the end of the lease, the tenant must bear the cost of returning the office space to good condition, excepting for normal wear.

### **OPTIONS**

#### **1. Can furnished office space be leased on a short-term basis?**

Yes, there are companies that lease furnished space on a short-term basis, such as Regus Business Centres and HQ.

#### **2. Are there restrictions on foreign ownership of commercial buildings in Chile?**

There are no restrictions on foreign ownership. Government approval is required only when the building under consideration is officially categorized, such as a heritage building.

### **RELOCATION TO NEW OFFICES**

#### **1. How far in advance should a company begin planning its relocation?**

Space planning plus other specific projects takes approximately one month. Then the office build-out will take between 2 and 3 months depending on the amount of surface to be constructed. Lease contract negotiations and signage can take also 1 more month to complete.

