COMMERCIAL PROPERTY STRATEGY · EXIT DILIGENCE

Reinstatement Breakdown & Mall Tenancy Audit

The most expensive clause in a commercial lease is not your rent. It is the bare-shell handover mandate costing operators **S$30,000 to S$65,000+** upon exit.

S$35 – S$75
Average Reinstatement Cost PSF in Singapore Malls

S$30k – $65k+
Typical Handover Bill on an 800–1,200 sq ft Unit

200% Rent
Daily Liquidated Damages for Late Handover

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SWIPE FOR COST BREAKDOWN →

Where the S$45,000 Reinstatement Bill Goes

A retail lease handover does not mean packing boxes. It means complete M&E demolition back to bare concrete.

LINE ITEM & SCOPE	TYPICAL COST RANGE	WHY COSTS ESCALATE
Kitchen Exhaust & M&E Ducting	S$12,000 – S$25,000	ESP filter removal, de-greasing, night-shift labor (+30%)
Electrical DB & LEW Sign-Off	S$5,000 – S$10,000	Sub-circuit stripping, Licensed Electrical Worker certification
Floor Screed & Waterproofing	S$8,000 – S$18,000	Tile hacking, membrane stripping, landlord level tolerance
Grease Trap & Town Gas Capping	S$4,000 – S$8,000	EMA gas worker isolation, grease trap de-sludging & disposal

⚠️ The Straight-Line Sinking Fund Rule:

Estimated exit bill of $45,000 ÷ 36 months = **$1,250 every month** must be accrued into an escrow account from Month 1. Never fund reinstatement from working capital during lease exit.

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NEXT: LIQUIDATED DAMAGES TRAP →

The "Handover Overrun" Penalty Trap

Contractors estimate 14 days. Mall inspections take 10 days. The delay can cost five figures in penalties.

⏳ The 200% Gross Rent Daily Penalty Clause:

Institutional mall leases state that if handover is delayed past the lease expiry date by even 24 hours, the tenant pays **double gross daily rent** for unauthorized holding:

- 1,000 sq ft unit @ $15.00 psf = $15,000/month gross rent
- Normal daily rent = $500/day ➔ **Penalty rate = $1,000 / day**

↳ **A 7-day landlord re-inspection delay = $7,000 deducted directly from your security deposit.**

🔍 The Preferred Contractor Monopoly:

Mall managements often reject third-party fit-out contractors on administrative technicalities, pressuring tenants to hire the mall's "preferred contractor" at a **30%–50% price premium** to guarantee inspection sign-off.

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NEXT: LEGAL LEASE PROTECTIONS →

3 Legal Protections Under Singapore's LARPA

The Lease Agreements for Retail Premises Act 2023 & FTIC Code of Conduct give tenants enforceable rights:

📸 01 · Mandatory Pre-Tenancy Condition Report

Under the FTIC Code, a joint photographic condition report signed at handover is binding. Landlords **cannot legally demand** that you reinstate fixtures, screed, or ceiling M&E left behind by the prior tenant.

🤝 02 · Tripartite "As-Is" Handover Indemnity

If the incoming tenant is also F&B or retail, negotiate an "As-Is Handover Agreement". Transfer exhaust hoods, gas pipes, and DB boards directly to the incoming operator — **saving $25,000+ in wasteful hacking**.

📅 03 · 90-Day Joint Pre-Inspection Walkthrough

Lock down the landlord's exact rectification punch-list in writing 3 months before expiry to eliminate surprise handover disputes.

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LARPA & FTIC Code Compliance

NEXT: PRE-EXIT PROTOCOL →

The 4-Step Exit Protocol Before Month 33

Execute these 4 operational steps to protect your security deposit and avoid handover disputes:

01 · Cross-Examine Original Annex

Check the original Handover Specification Sheet. Never demolish landlord-provided infrastructure.

02 · Procure 3 Independent Fit-Out Quotes

Obtain competitive quotes at Month 32. Do not accept the landlord's initial single contractor estimate blindly.

03 · Fast-Track LEW & Gas Certifications

Licensed Electrical Worker (LEW) and EMA gas disconnection sign-offs require up to 14 business days.

04 · Enforce Security Deposit Refund Timelines

Ensure the lease specifies a maximum 30-to-60 day deposit return window post-reinstatement sign-off.

Download the Complete Mall Tenancy Audit Guide

Pre-tenancy schedules, M&E checklists, and LARPA compliance guides.

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