

Insights

“RIGHT-SIZING” HONG KONG SAR COMMERCIAL LEASES

KEY ISSUES TO CONSIDER IN THE CONTEXT OF BUSINESS DISRUPTION & COVID-19

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In Hong Kong SAR, business disruption seems to have become the new norm in the last 12 months or so, dominated by news of a regional slowdown caused by the US/China Trade War, frequent protests on the streets, in the malls and railway stations of Hong Kong, and now COVID-19. Businesses are being dramatically hit and some landlords are now offering significant rental discounts on existing retail leases. It will not be a surprise if many tenants will be re-assessing their real estate needs in Hong Kong SAR. This Newsletter examines some of the key issues to consider in a COVID-19 world in the context of any evaluation of your commercial leasing portfolio in Hong Kong SAR. It also ends with a few comments on whether force majeure provisions will now apply given the impact of Covid-19. Highlighted in this Newsletter:

- Premature Termination of Commercial Leases
- Options to Consider: Break Clause, Sublet/Assignment Clause, Surrender Agreement, Replacement Tenant
- Whether or Not to Walk Away from the Existing Leases: Heads of Claims Available to the Landlords
- Force Majeure
- Frustration
- BCLP's Recommendations

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