

Renegotiation of leases on two major distribution facilities totalling 300,000sqft



SBM was appointed to conduct rent reviews and the renegotiation of leases for two units at a factory production facility.

Our client's property scenario

Following a footprint review, the client had decided to stay in the two units for the foreseeable future. With two critical lease dates on the horizon, SBM saw the potential to re-gear/re-negotiate the leases to reduce costs.

Unit 1

The current 15-year lease was due to terminate in June 2020 – approx. 100,000sqft.

Unit 2

The current 20-year lease was due to terminate in 2030 however it included two tenant-only lease breaks which undermined its value from the landlord's perspective.

“We applied to the market to re-structure the leases resulting in £1.6m of savings and an additional £500k in other lease liabilities.”

Property challenges

- Our client was a ‘special purchaser’ because it owned the freehold to a large, adjacent factory facility which gave the landlord considerable certainty that the leases would be renewed without lengthy negotiation.
- The client had made significant capital investment in one of the units which gave the landlord further confidence that the lease would be easily renewed. There was also a lack of similar facilities available in the local property market that offered alternative options.
- Research showed that there was a significant lack of local property transactions data to leverage negotiations with the landlord.
- In renegotiating the leases, SBM needed to minimise the risk of an anomaly in the lease which had been historically overlooked.

Property solution

SBM overcame the challenges by demonstrating that the client was a large-scale operator with multiple locations across the UK.

SBM emphasised that the client had alternative options to relocate its activities elsewhere in the UK and did not have to be governed by locality.

The two leases were renegotiated without drawing attention to an anomaly which could have been exploited by the landlord.

Good relations between the two parties were maintained.

Result

✓ **£1.6m in savings**

SBM secured £1.6m in savings by securing 13 rent free months on both units plus an additional three months rent free if the break in the leases were not served.

✓ **Pushed back lease dilapidation liabilities**

SBM pushed back lease dilapidation liabilities until the end of the new lease terms to support the client’s cash flow.

✓ **Continued occupation**

SBM secured continued occupation of both units next to the factory for a minimum of 11 additional years.

**Financial and operational,
headache gone away!**

SBM expertise applied



Research

Review of comparable evidence on market.



Negotiations

We provided expert guidance to help the client optimise its strengths and influence decisions. Through research and property expertise we could apply tactical insights to manage complex areas.

