

Repairing tenant landlord relations to secure a long-term lease.



SBM were instructed to secure the long-term occupation of the site and amend outdated clauses within the lease.

Our client's property scenario

Our client occupied two 40,000sqft manufacturing units in Stoke on Trent. The neighbouring units were held on a leasehold basis and the lease expired in just under six years' time.

The landlord and tenant relationship was fractured due to inconsistent service charge and site management; the interests of the tenant and the landlord appeared irreconcilable.

“Paired with the problems of the Covid-19 induced regulations, SBM worked to regain a balance within the landlord and tenant relationship to allow the transaction to progress.”

Property challenges

- The current landlord wanted to sell the units and the possible identity of a new landlord was unknown.
- Having been something of a back-water, the local area has been transformed and regenerated with residential, industrial and warehousing together with refurbished offices – all of which proved to be surprisingly popular with strong demand.
- There were good rail connections, local amenities and a nearby skilled workforce who could walk to the site.
- The rent was low at £3.75 psft and our client feared a substantial rent increase would be feasible in the current climate unless prompt action was taken.
- Our client also had an upcoming rent review that would impact the lease renewal discussions. Due to the timing of the rent review there was a lack of forthcoming market evidence.

Property solution

Paired with the problems of the Covid-19, SBM worked to regain a balance within the landlord and tenant relationship to allow the transaction to progress.

Based on meticulous market research, the incorporation of a service charge audit team, rent review expertise combined with communication and negotiation, a satisfactory outcome was secured.

Our research team left no stone unturned.

The lease was extended by 10 years, brought within the Landlord and Tenant Act and the 100% rent increase was limited to just under 20%.

SBM successfully negotiated tenant friendly clauses back into the lease including the service charge, alienation and planning consent.

Result

- ✓ **Effective completion of the lease renewal including a substantial rent free**
- ✓ **Rent reviews completed at £4.40psft. – saving over £1m over the new term**
- ✓ **Updated lease clauses benefitting the client's long term occupation**

SBM expertise applied



General Practice
Preliminary Options Report – taking an initial high-level view of the project, followed by analysis, planning, negotiation and communication.



Research
In-depth market investigation to uncover the true market rental level at the review date.



Building Surveying
An assessment of the dilapidations liability for budgeting purposes and to feed in to the stay/go analysis.

