

# Delivering agile and responsive negotiations during the global pandemic.



**SBM played a pivotal role in a fast-moving scenario to manage the disposal of a production plant and HQ as the UK entered the first Covid-19 lockdown.**

#### **Our client's property scenario**

Shortly after a corporate acquisition, our client's former HQ and production plant became surplus to requirements. The 34,000 sqft production facility had been used to produce more than 170,000 blinds annually.

With a break clause imminent and six years left on the lease, a surrender deal was negotiated just as the UK went into its first Covid lockdown. With widespread economic uncertainty, our client withdrew its offer – and a second round of negotiations began.

“Our client raised serious concerns over the short-term economic picture with their business model relying on face-to-face customer interaction.”

## Property challenges

The break clause conditions in our client's lease were stringent with 12 months' notice and a 12-month break penalty due should the break option be exercised.

Following years of heavy usage, the building was dilapidated.

The tenant/landlord relationship was fractious with prior dealings having been sub-optimal for a collaborative working relationship.

The market was not short of supply at that time and the landlord had a good working knowledge of the market.

A surrender deal was agreed just as the Covid-19 pandemic began in the UK and a nationwide lockdown was imposed.

Our client raised serious concerns over the short-term economic picture with their business relying on face-to-face customer interaction.

The surrender offer was withdrawn, and negotiations re-started with the backdrop of a very bleak economic outlook.

## Property solution

During the first wave of negotiations, we acknowledged the risk of the break clause being frustrated by the landlord.

We advised our client to simultaneously market the building whilst conducting surrender negotiations to increase the likelihood of a successful outcome.

We also advised carrying out low-cost, high-impact improvements to increase the chances of a successful marketing outcome.

We conducted numerous rounds of negotiations with the landlord and reached an agreement.

The negotiations were re-opened in response to the global pandemic with an emphasis on highlighting the true scale of risk due should the landlord wish to sit-out the negotiations and rely upon a return to normality in the short-term.

## Result

- ✓ **SBM renegotiated a settlement that was 60% lower than the original agreement in response to the economic uncertainty of the global pandemic**
- ✓ **A strong precedent was set in the first round of negotiations - a very low dilapidations settlement was agreed which halved our client's exposure to the property liability**
- ✓ **For every £1 spent with SBM, our client received a payback in excess of £25**

## SBM expertise applied



### Negotiations

Two rounds of negotiations were conducted in response to unprecedented, fast moving global events.



### Strategy

Clearly defined strategy to circumvent stringent break clause conditions.



### Analysis

Best advice given to halve our client's exposure to dilapidations.



### Research

Detailed research undertaken about local market conditions.

