

Office space: Stay or Go?



Our client occupied the ground floor of a three storey building in Woking with a lease that was about to expire.

It was a complex situation because the previous owner of the property had sold off a long lease of the upper floors for conversion to residential, and had then gone into receivership.

The long leaseholder of the upper floors also went into administration.

Dealing with multiple landlords, our client needed to decide whether to stay or go.

“The lease that was finally negotiated was a significant improvement on the existing terms.”

Property challenges

SBM was appointed to advise on property strategy, identify costed alternatives and negotiate terms.

The main hurdles were in negotiating with different people and organisations as the client's property passed from one pair of hands to the next.

With a constantly changing situation, our client was also experiencing issues including flooding, service charge problems and untidy external areas.

SBM expertise applied



Research
Research of alternative sites.



Financial
Negotiation of new lease on very beneficial terms.



Operationally
Managing a complex and difficult situation.

Property solution

Given the issues, the initial advice was to relocate and a subsequent search for alternatives identified several suitable premises. Our search activity was picked up by the landlord and negotiations for beneficial terms to stay began.

Despite this, a back up property was identified and provisional Heads of Terms agreed should negotiations on the existing property break down.

The main hurdles were in negotiating with different people and organisations. As they changed, attitudes towards the transaction hardened.

In addition, operational and technical realities presented to our client meant that relocation became a tougher prospect. They did not want to move and essentially took 'no-deal' off the table.

The final owners of the property lacked almost any understanding of the needs of a modern occupier which meant there were real risks in remaining in-situ, which our client had to face up to.

Result

Even with the difficulties experienced, it was proven that the best option was to remain in the current office accommodation. It was 50 per cent cheaper than the next best available option.

The lease that was finally negotiated was a significant improvement on the existing terms.

- ✓ **Annual costs reduced by 18%**
- ✓ **A six month rent free period**
- ✓ **Extra floor area on the ground floor was added without additional rent**
- ✓ **An attractive service charge cap**
- ✓ **Exclusive use of the best parts of the car park**
- ✓ **At least £1m was saved over the term of the lease – compared to the next best alternative**

