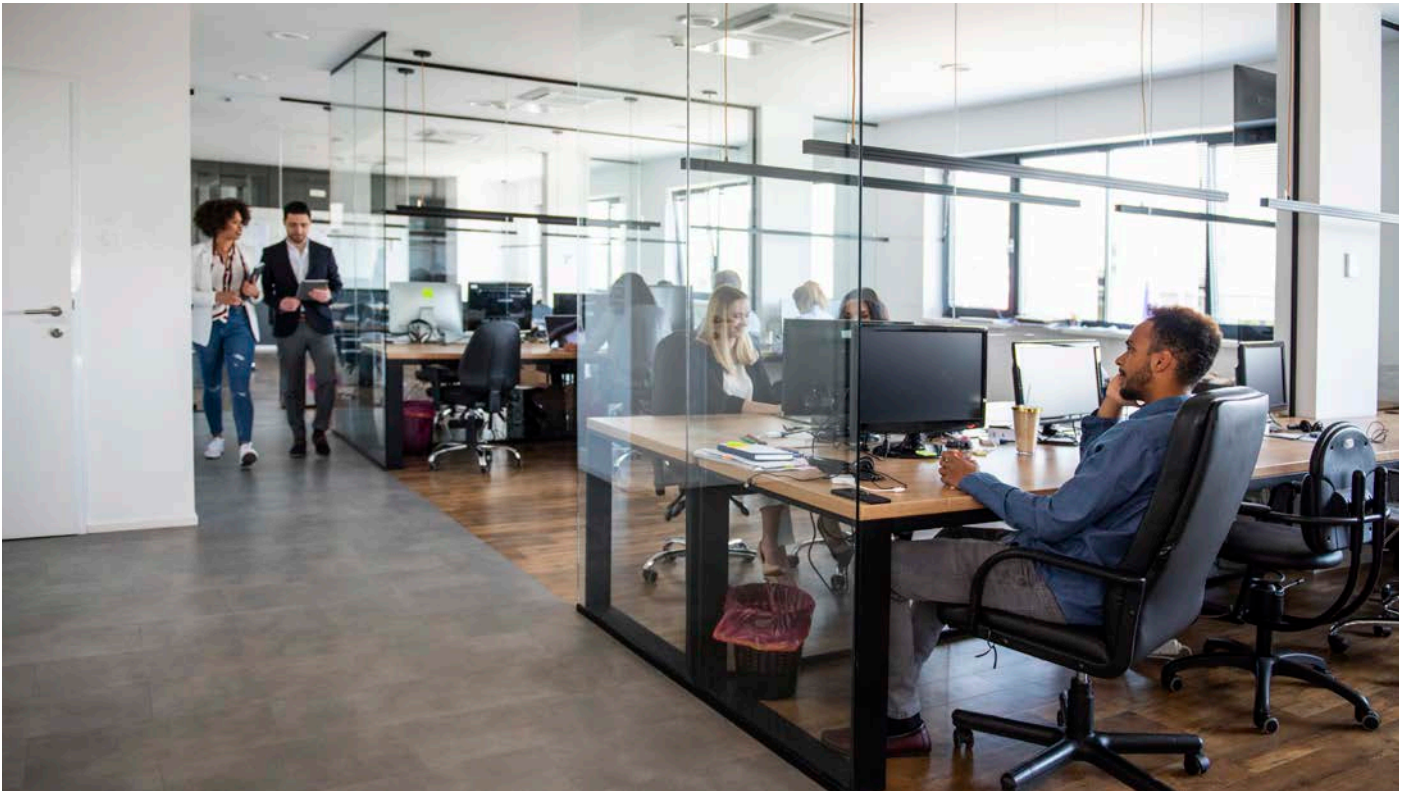


# Mitigating a dilapidations liability for budgeting purposes



**SBM was commissioned to help consider the implications of operating an onerous break clause including the requirement for vacant possession.**

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

SBM was instructed by a software company in the financial sector to undertake a dilapidation assessment for budgeting purposes of a three-storey office building in Newcastle so the client could consider operating a break clause.

After reviewing the lease, deed of variation and other documentation, we produced a detailed strategy report to enable the client to make an informed decision about its property needs.

“We recommend your potential liabilities are properly assessed in advance of lease expiry or break date so that all strategy options can be considered to mitigate a landlord’s claim.”

## Challenges

The main challenge involved the interpretation and potential impact of the onerous terms of the break clause.

The break clause required vacant possession of the property, which can be a legal minefield, and removal of all tenant’s alterations and equipment before the break date.

This would require removal to a new property some time before the break and strict adherence to the conditions.

## Solution

We undertook a detailed review of the lease, deed of variation and other relevant documentation to understand the client’s legal liabilities and the terms of the break option.

We inspected the property to identify items of reinstatement, repair, decoration and statutory compliance that were the tenant’s responsibility and provided estimated costs.

Our report focussed on the strategy surrounding the break option, the detail of the potential liability and the practical options.

This study was undertaken in conjunction with a search of the local market for alternative accommodation.

## Result

- ✓ **Our strategy report allowed the client to avoid the significant risk of the break failing due to the conditions not being met.**
- ✓ **After consideration the client decided not to operate the break and remain in the property.**
- ✓ **The dilapidation liability was carried forward to the end of the lease.**
- ✓ **The estimated dilapidations liability was £180,000 and our strategy report allows the client to plan for the lease expiry and mitigate their dilapidations liability.**

## SBM expertise applied



### Research

Site inspection and research of alternative sites.



### Financial

Clear understanding of dilapidations liability.



### Operationally

Managing a complex and difficult situation.

