

Removing income risk at Head Lease expiry

Property: Multi-occupied office building in Milton Keynes
Client: Institutional Fund Manager
Project: Protecting income on expiry of head lease, by proactive negotiations



Problem	Solution	Results
<ul style="list-style-type: none"> • A 1999 single-let air conditioned office building. • The property was wholly let to a company, who were in occupation of part. The remainder (63%) had been sublet to two occupiers. • The head tenant's lease expired in 2019, but had a break in March 2009, conditional on their securing vacant possession. The subleases expired in February 2009. • Instructed in 2007 to mitigate the risk of income loss and value. • Met with all the occupiers to understand their business and property requirements. • Eventually determined that the head tenant wished to vacate and exercise its break clause, potentially leaving the landlord with an empty building, no income and a void rates liability. 	<ul style="list-style-type: none"> • Negotiated an early surrender of the head lease to take control of the building and the sub lease income, having first established that the sub tenants were agreeable in principle to remain in the building. • Negotiated new leases of enlarged floor areas with the occupiers to protect income into the longer term. • In conjunction with the property managers, oversaw the conversion from a single let building to a multi let building, with the landlord becoming responsible for the management of the services. • A single point of contact for the client coordinating all activities in the process, including the property managers, local letting agents and building surveyors undertaking the office refurbishment and dilapidation negotiations. 	<ul style="list-style-type: none"> • Recommended and implemented a management regime which reduced the service charge costs to the occupiers, enabling new rental agreements 20% above the previous rent payable. • Reduced the client risk by retaining 83% of the rental income and corresponding void rates saving and ensuring a speedy refurbishment to improve the presentation of the reception and vacant space. • During the 3 year period, successfully negotiated 7 transactions, including one new letting, to achieve full occupancy (during a recession)
<p>Transactions 7 deals</p>	<p>Rental income increase 20%</p>	<p>Income retained 83%</p>