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Should I
Stay or
Should I Go
Now?

BUSINESS STRATEGY | TECHNOLOGY | PEOPLE | COMMERCIAL REAL ESTATE | WORKPLACE WELLBEING

Key challenges facing corporate occupiers

Lease events are often seen as a catalyst for change yet for many businesses the ability to manage forthcoming break options or lease expiries in an intelligent and timely manner can be a huge challenge.

Impact of lease events on the workplace

For many organisations an imminent lease event is an opportunity to improve operational efficiencies and achieve cost savings and so in responding to the challenges ahead, corporate occupiers will likely need to focus on the following key drivers of change:

- **Office size:** how much office floorspace does the business need (now and projected) and on what contract terms?
- **Location:** where should the office(s) be located?
- **Workplace:** how can a cost-efficient, productive and healthy workplace be designed and delivered in the interests of employee wellbeing?
- **Technology:** how will business processes and data management be aligned to ensure connectivity and resilience with new ways of working?



Developing an accommodation strategy for a typical corporate office occupier



How tenants can achieve optimal outcomes and cost savings (under a 'Stay' or 'Go' scenario)



By leveraging its lease break options, Joe Bloggs can exit surplus office space...

- with certainty as to the timescale and cost of exit^{*1} and,
- removing its break option should mean it is better placed to negotiate more favourable financial terms^{*2}

^{*1} subject to compliance with lease provisions, ^{*2} under a 'stay' scenario

By changing its workplace requirements, Joe Bloggs can optimise its office footprint and lease costs by...

- occupying less floorspace more efficiently & productively^{*3}
- ensuring it has flexibility to exit new lease contracts
- lease financing technology upgrades and office fit-outs^{*3}

^{*3} under both a 'stay' or 'go' scenario

By committing to extend its occupation, Joe Bloggs can maintain business continuity...

- and hedge against the vagaries of property market cycles
- optimise available financial incentives on the grant of any new reversionary lease(s)^{*2}

By carrying out due diligence, Joe Bloggs can optimise its negotiating position by...

- fully researching office availabilities and rental levels
- identifying repairing & reinstatement liabilities
- saving on significant capex costs^{*4}
- capitalising on competitive relocation incentives^{*5}

^{*4} by identifying pre-fitted office space- ^{*5} to include available grants, subsidies and other relocation incentives

Should I stay or should I go now?

Scenario A: 'Stay'

Business continuity maintained and disruption to employees mitigated

Investment in existing offices (sunk costs) retained and available tenant incentives optimised

Risk of adverse movement in office market hedged

Potentially harder to create office space to support new ways of working

Ability to implement cost savings (and efficiencies) may be limited

Potential increase in repairs (and service charge payments)

Pros

Cons



Scenario B: 'Go'

Best office location(s) selected to support cultural and brand transformation

Upgrade in technology and quality of new office space

Ability to optimize and flex lease contracts

Sub-optimal relocation timescale (low supply and high rents)

Cost of fitting-out offices reduces benefit of available tenant incentives

Increased risk of business uncertainty

How to leverage lease break options in a 'Stay' or 'Go' scenario



Case study

McCalmont-Woods devised and implemented a break option strategy for the world's leading health & security services company International SOS on its 44,000 sq ft HQ at Chiswick Park, W4 in West London.

Over 70 office properties were researched and analysed with RFPs issued on a select number of relocation 'go' options in the period leading up to service of the tenant's break notice. In parallel, the option to 'stay' and restructure the tenant's two existing office leases was explored with its landlord.

Ultimately this involved an agreement to remove the tenant's forthcoming lease breaks in return for a significant financial incentive on a commitment to remain in occupation under two new reversionary leases (with a cap on future reinstatement liabilities).

The successful strategy resulted in "the most generous terms ever offered on a lease regear at Chiswick Park" producing £4 million savings for the tenant.



Chiswick Park, W4 is considered to be London's premier office business park location. It comprises 1.8 million sq ft of workspace arranged as a necklace of 12 office buildings set in 33 acres of landscaped gardens with 45,000 sq ft on-park retail.

A team you can trust to deliver



By engaging independent specialists on-demand tenants can avoid substantial fixed costs. Instead, tenants get access to a team of highly skilled professionals who are experienced in working together – either singly or in combination – precisely when and where they're needed. **Call or email us for a free consultation.**



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