

A photograph of a grand, classical building facade with a portico of tall columns and a pediment. The building is made of light-colored stone and features intricate carvings and statues. The sky is blue with some clouds.

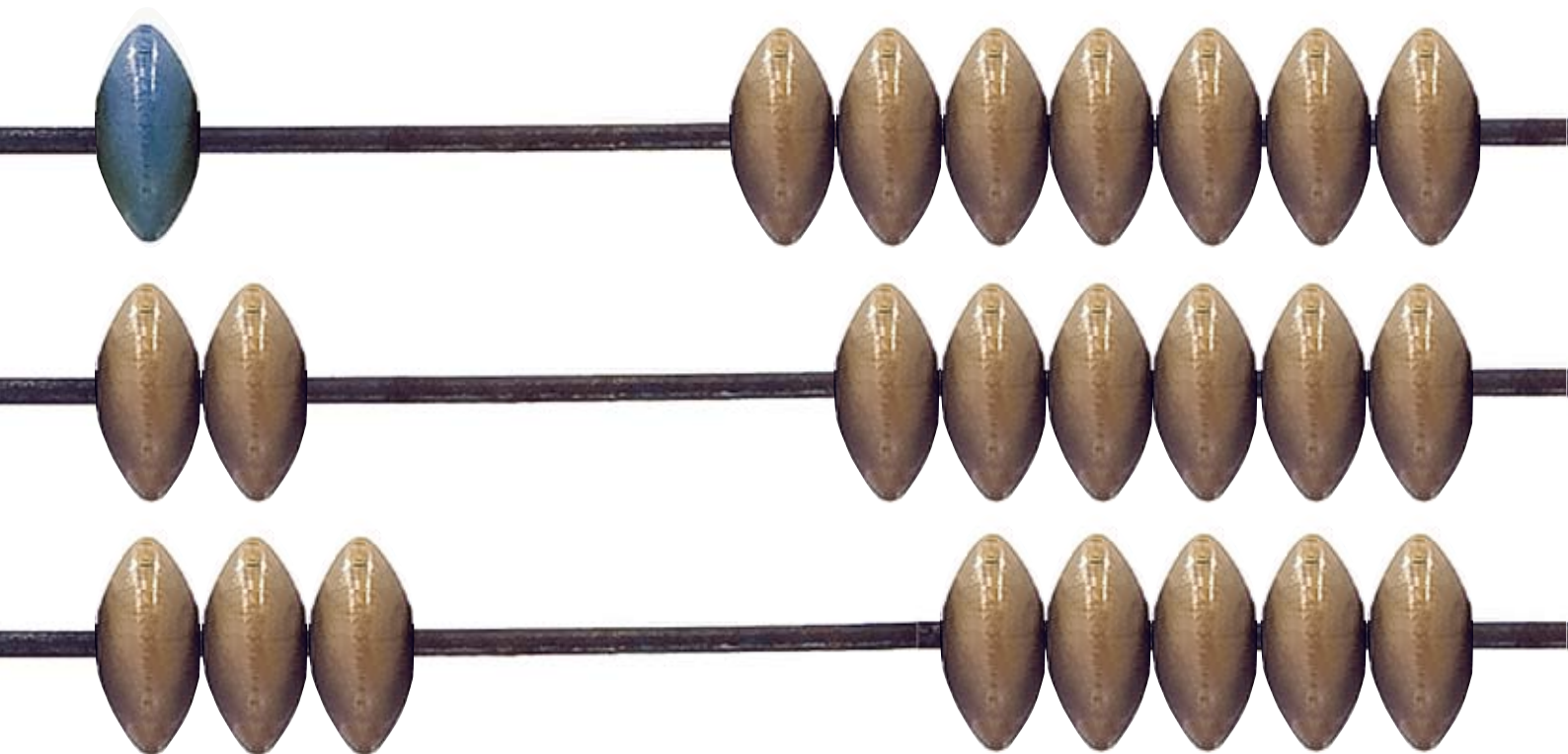
Our cash strategies for recessionary times

Today is all about conserving and maximising cash. The boom years which encouraged occupiers to invest in and improve their real estate have given way to a recessionary period, with intense cost pressures, a situation that will remain for some considerable period.

This document sets out the array of options open to occupiers where they can contribute to corporate strategy be that arresting the current cash outflow, realising savings from space reduction, generating additional income or generating one-off capital payments.

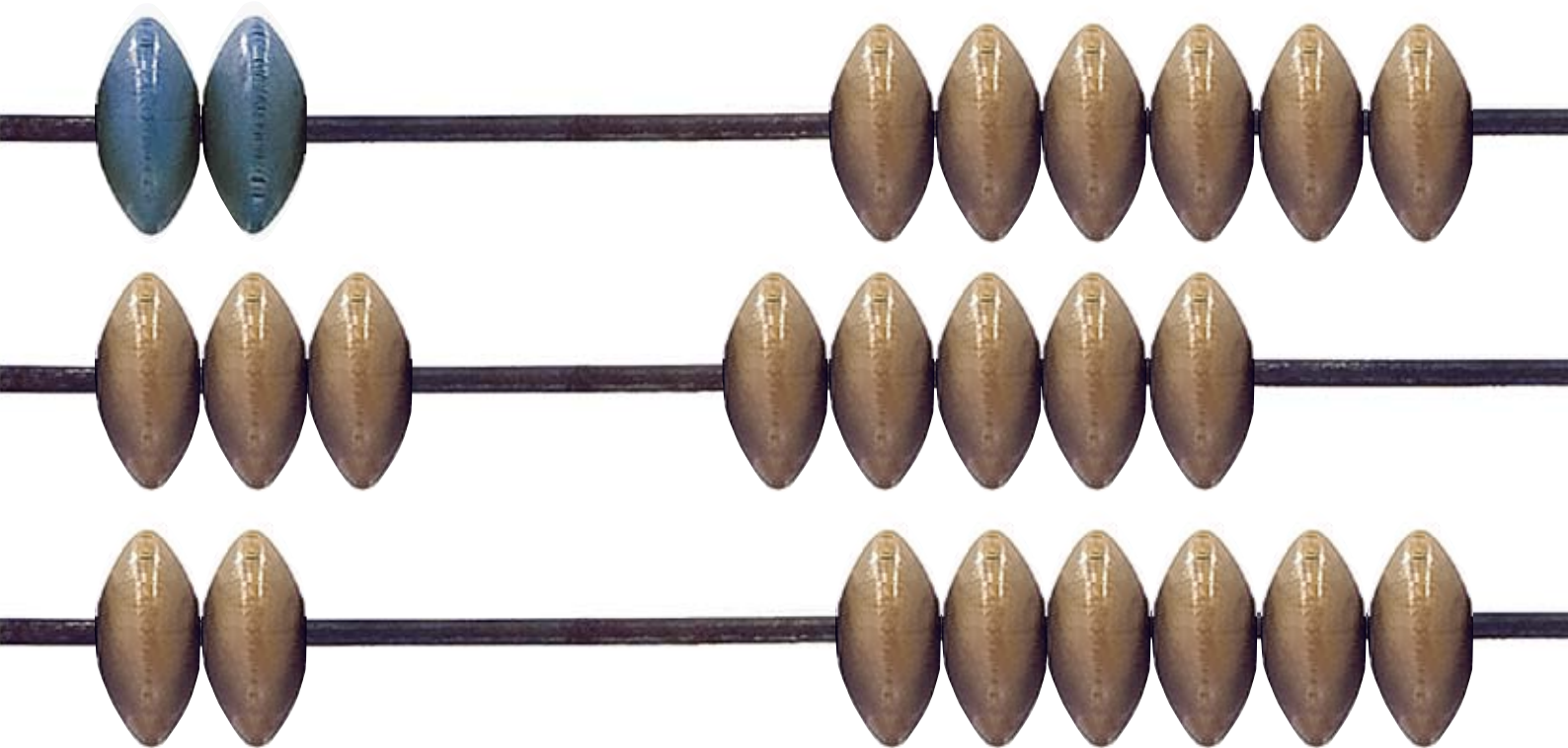
Assets Sales:

Despite the malaise in the investment and development markets there are still purchasers looking to acquire assets. You need to be realistic on price expectation and knowing the local markets is essential.



Assignment:

Typically eradicates your immediate lease liabilities but leaves a residual risk of the assignee failing. Finding assignees is becoming increasingly difficult and an occupier needs to be prepared to look at the overall benefits of a proposed deal.



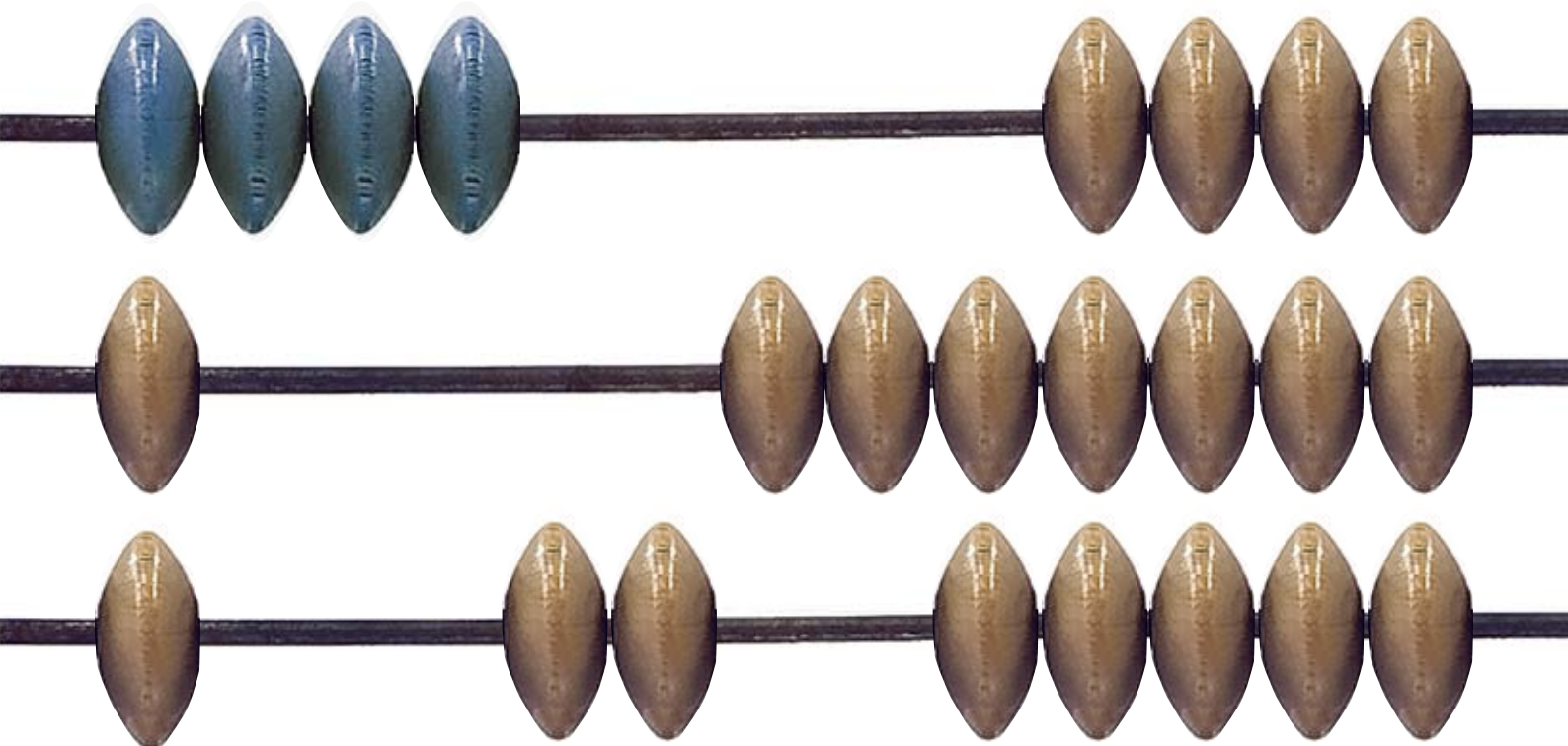
Break Options:

A very cost effective way of reducing cash burn but early planning is essential as many breaks have onerous conditions and landlords will fight even harder now to frustrate you if at all possible.



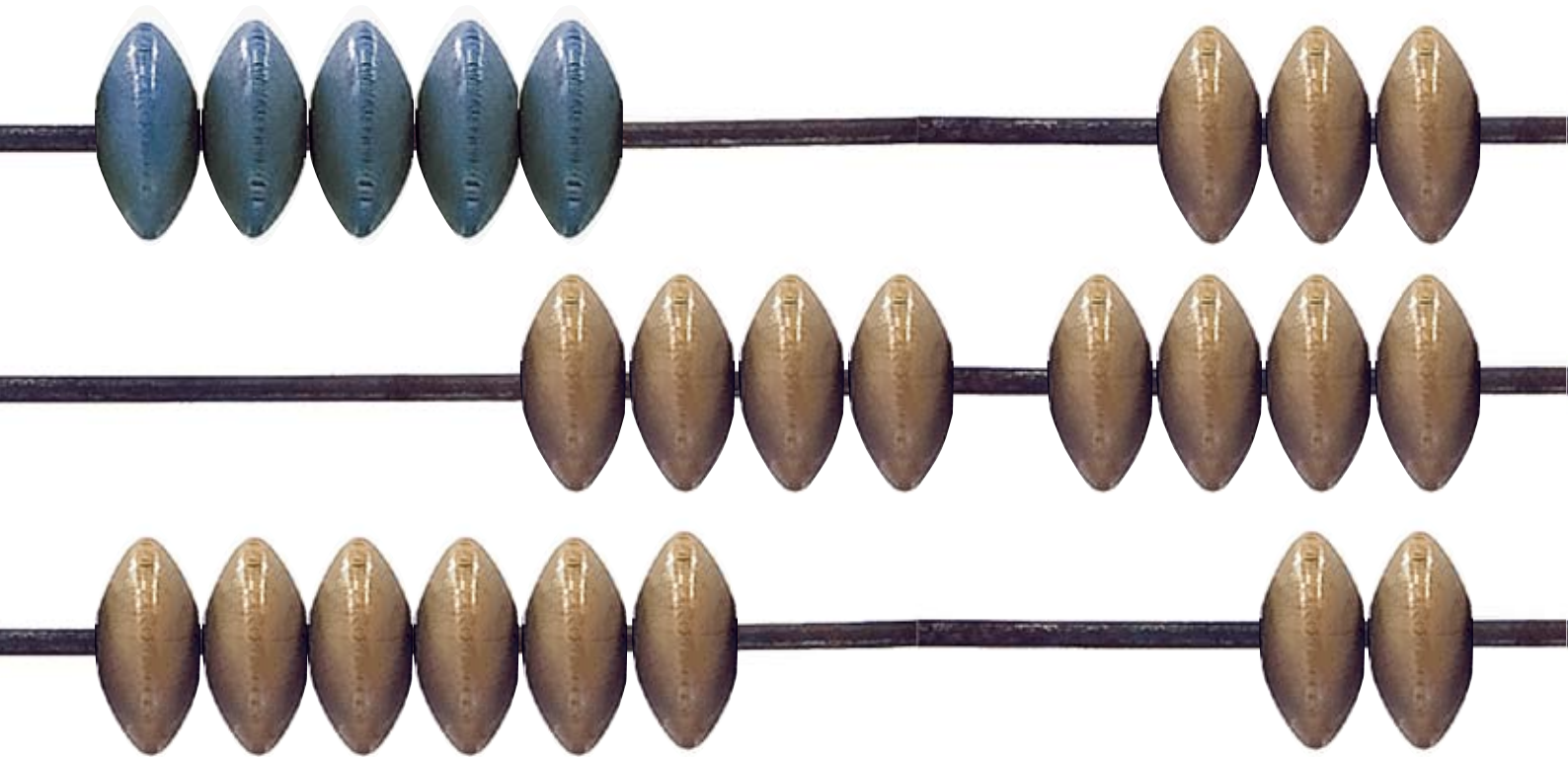
Cost in Use Analysis:

A relative comparison of each of your facilities will quickly highlight those that are most expensive on a price per head, price per unit of production or any other business metric relevant to your organisation. This will demonstrate where the greatest savings can be achieved.



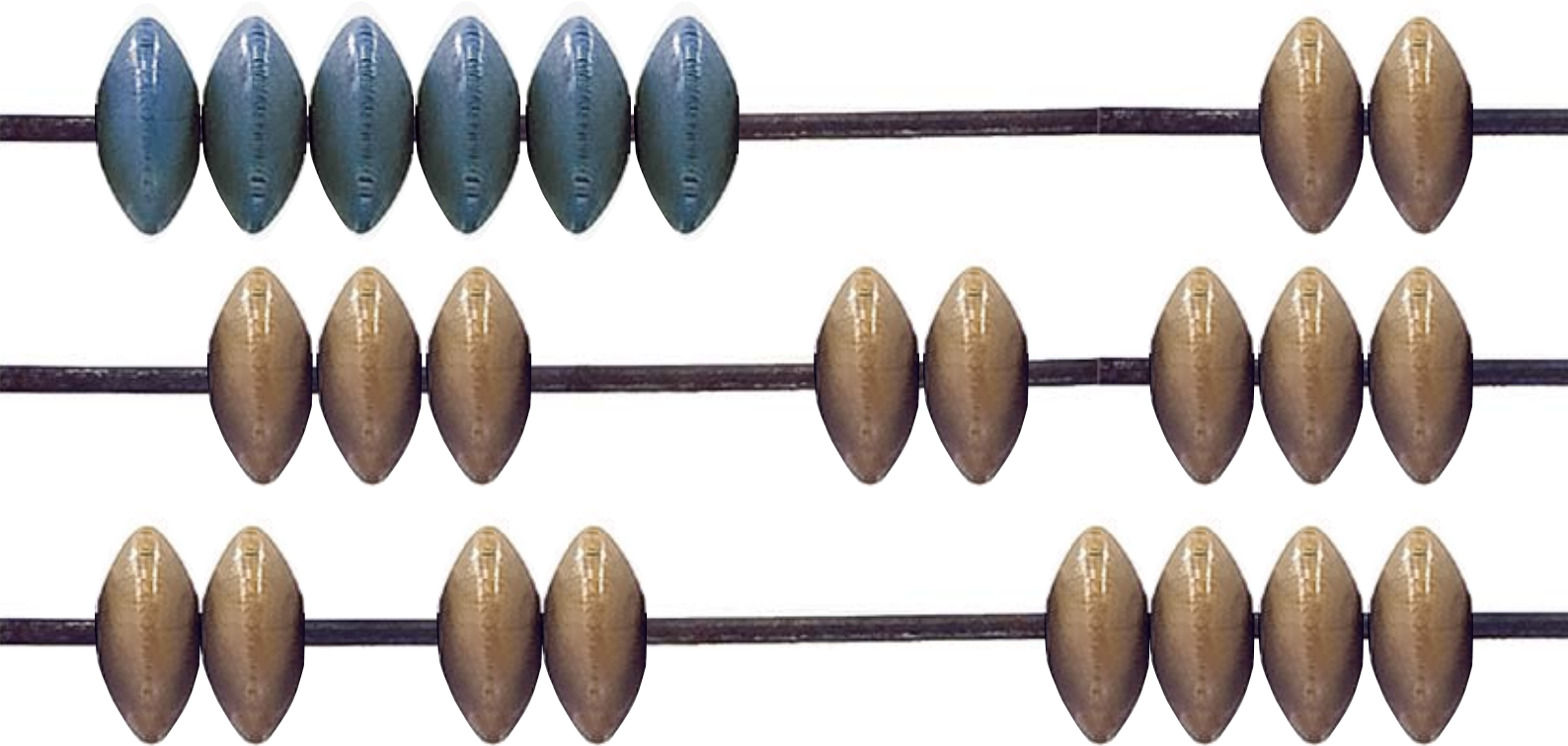
Covenant Plays:

Many corporates have complex company structures and the various tenant identities on the leases will have different covenant strengths. Poor covenants impact landlord investment values and offering to swap to a better covenant can yield cash for an occupier.



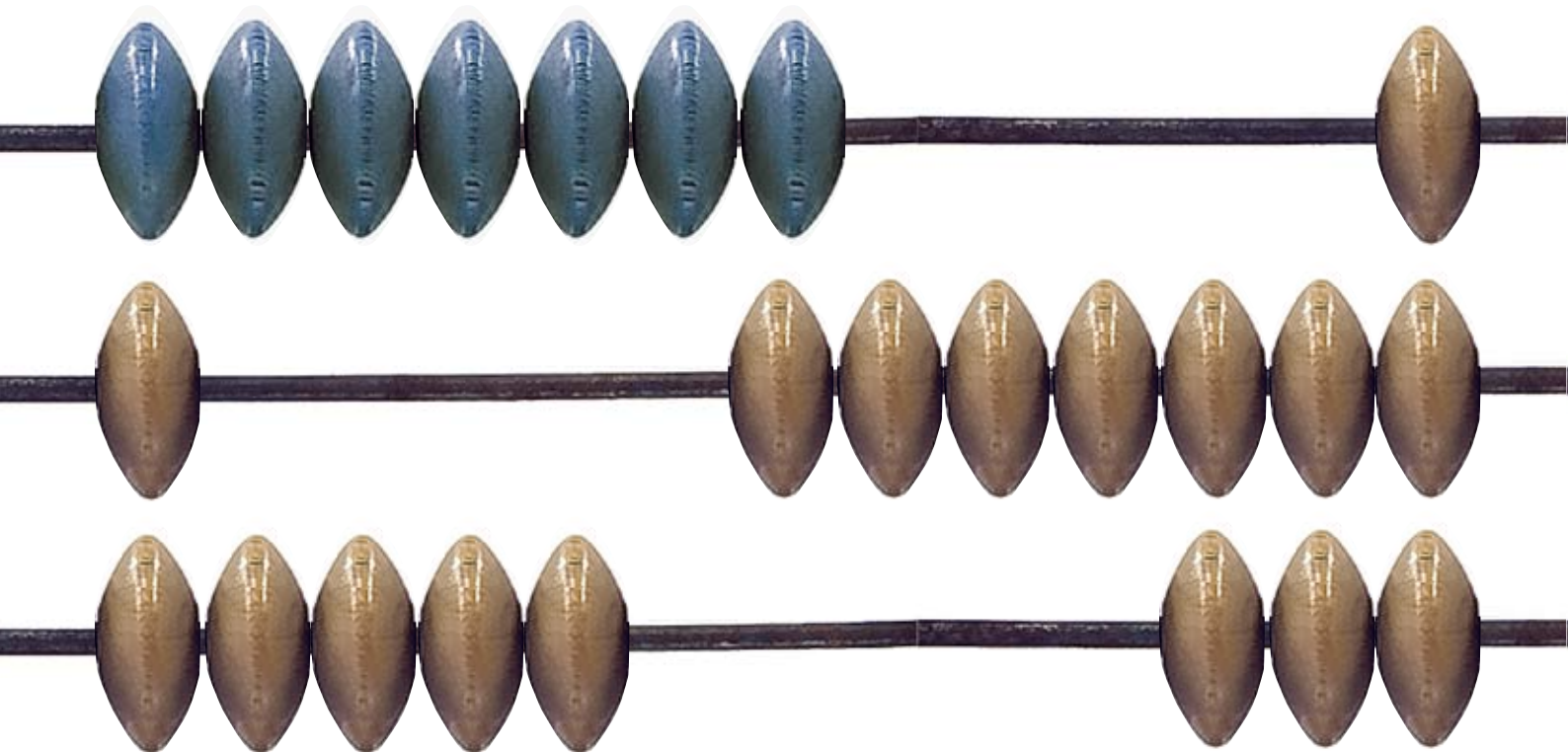
Energy/Utility Use Audits:

Are your buildings and services running as efficiently as they should and are you paying the lowest price?



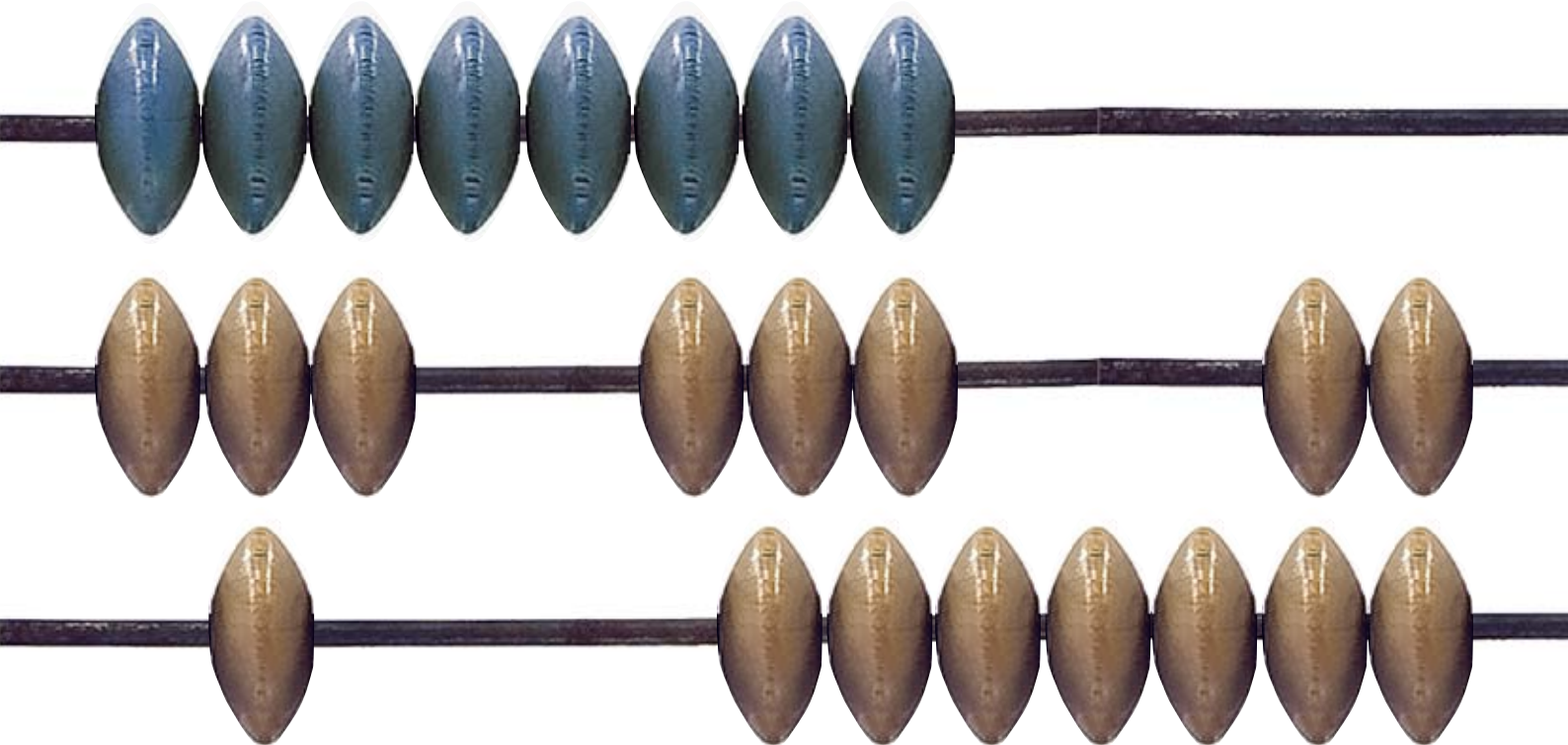
Forensic Rate Audits:

Many corporates employ rating surveyors to negotiate reduced assessments but do not ensure that this has led to the appropriate refund. This is a great way of generating cash quickly at no net cost.



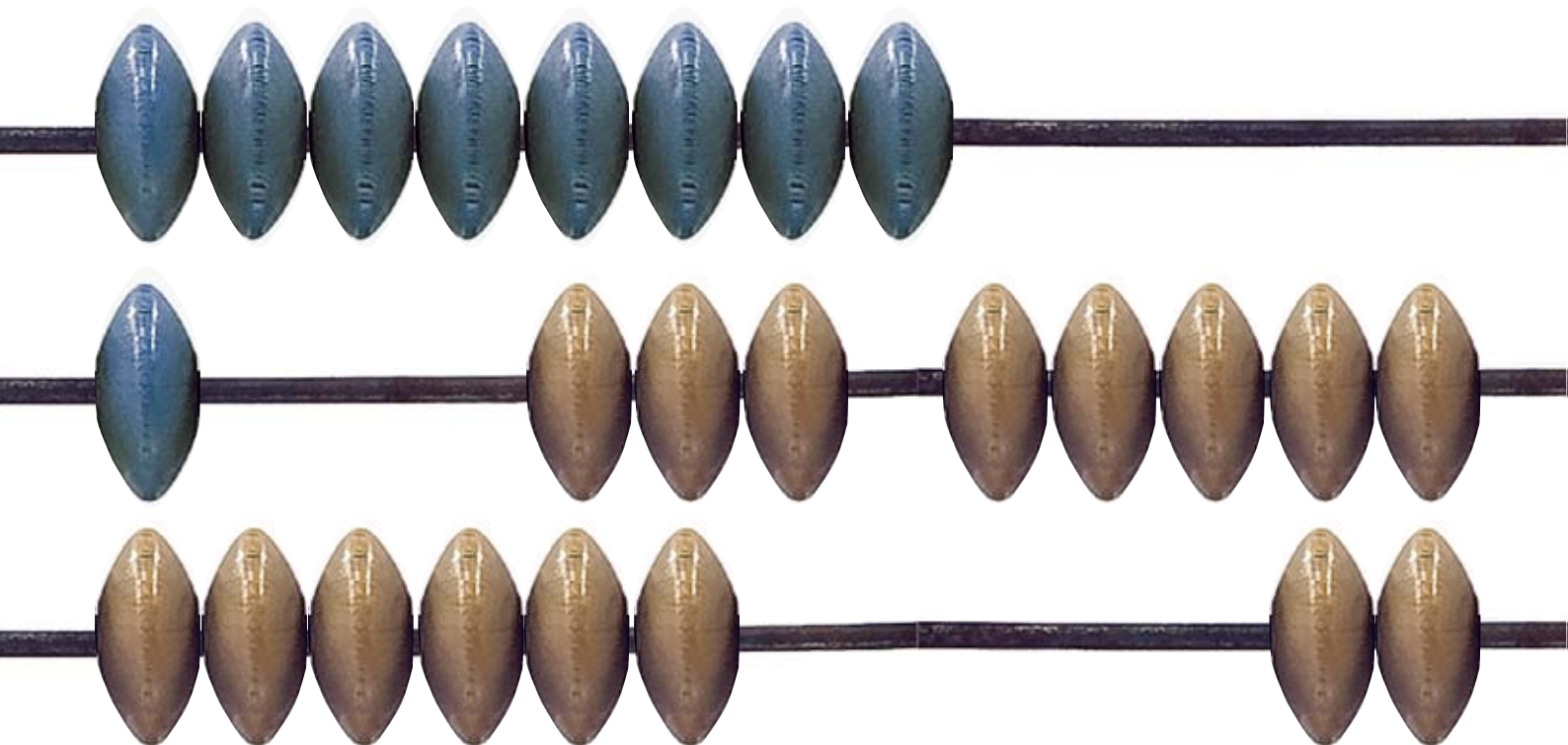
FRS 12/IAS 37 Appraisals:

Regular reappraisals of the lease liability of your surplus property can alter the way your company accounts for this problem. The correct provision is essential to provide you with the ability to facilitate its disposal in a way that an under provision cannot. An accurate assessment will also allow you to properly assess the merits of potential deals on surplus space, be that assignment, subletting or surrender.



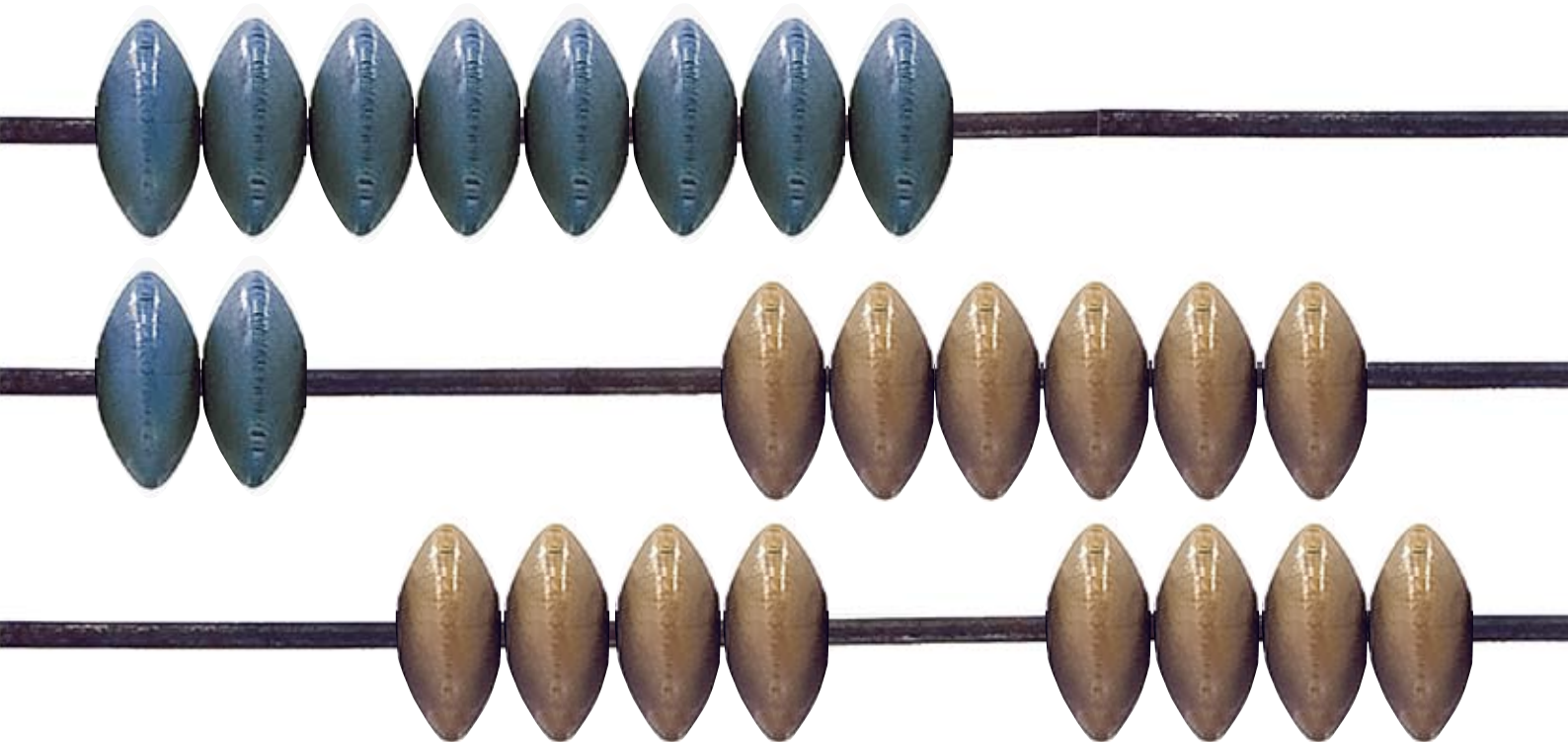
Lease Expiry:

Exercising lease expiries is an extremely cost effective way of reducing cash burn so long as you plan sufficiently in advance for the operational impact on your business.



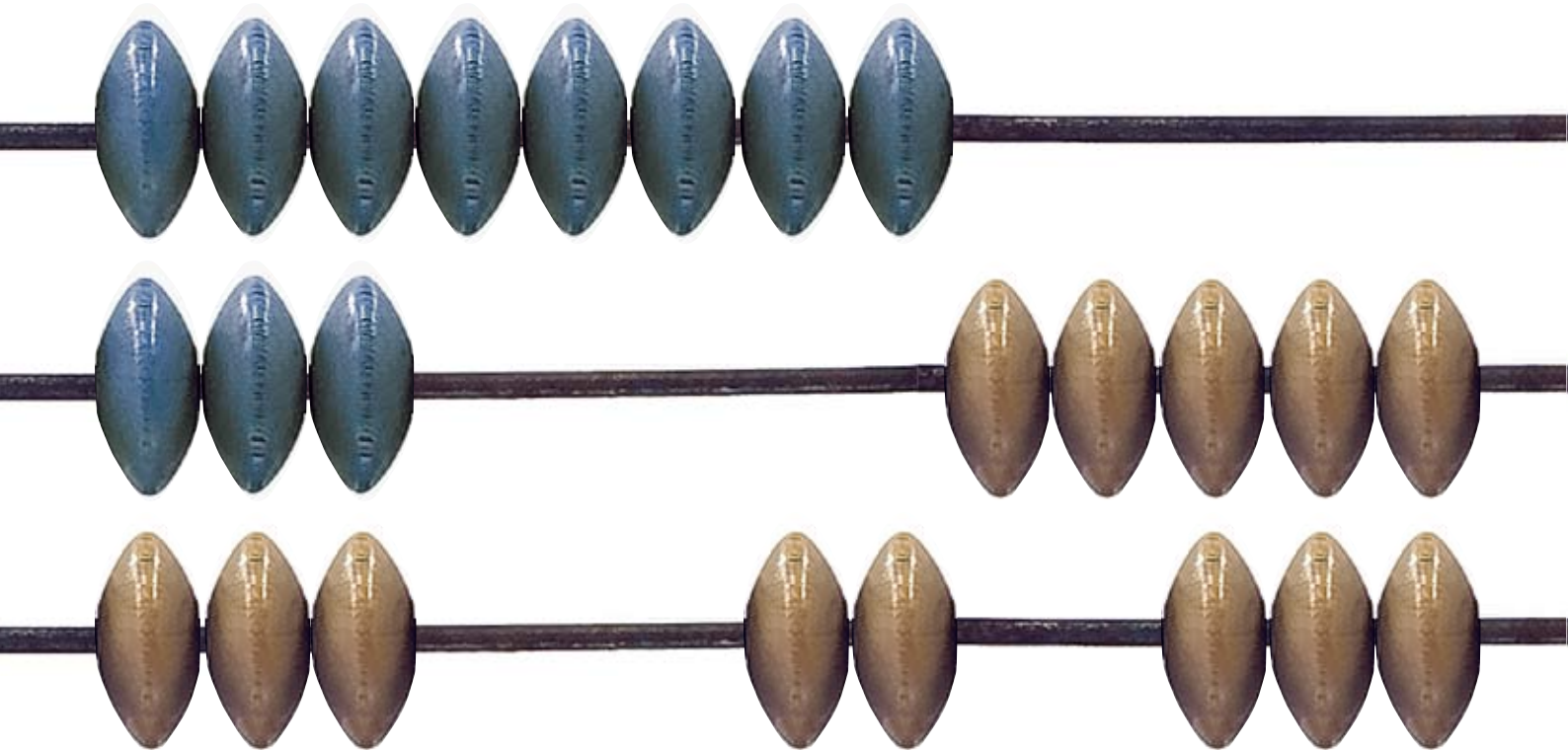
Lease Liability Transfers:

If you have a basket of surplus property for which you have an accounting provision, it is usually possible to sell those liabilities for less than the sum provided. This enables the provision saving to be written back as profit and help stem the ongoing cash burn.



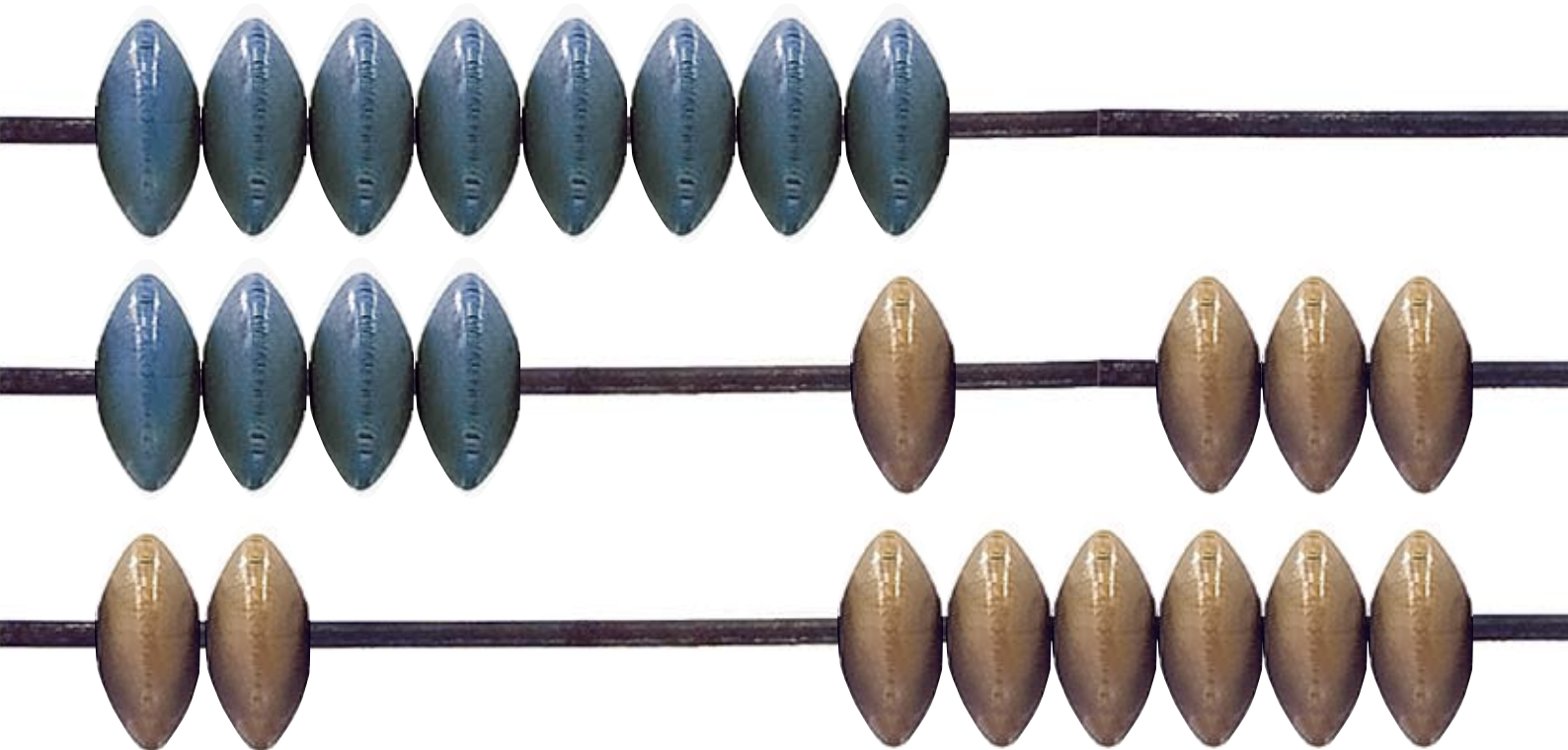
Operational Asset Realisation:

Challenging the orthodoxies of your company's attitude to real estate when it comes to the core business can yield surprising results.



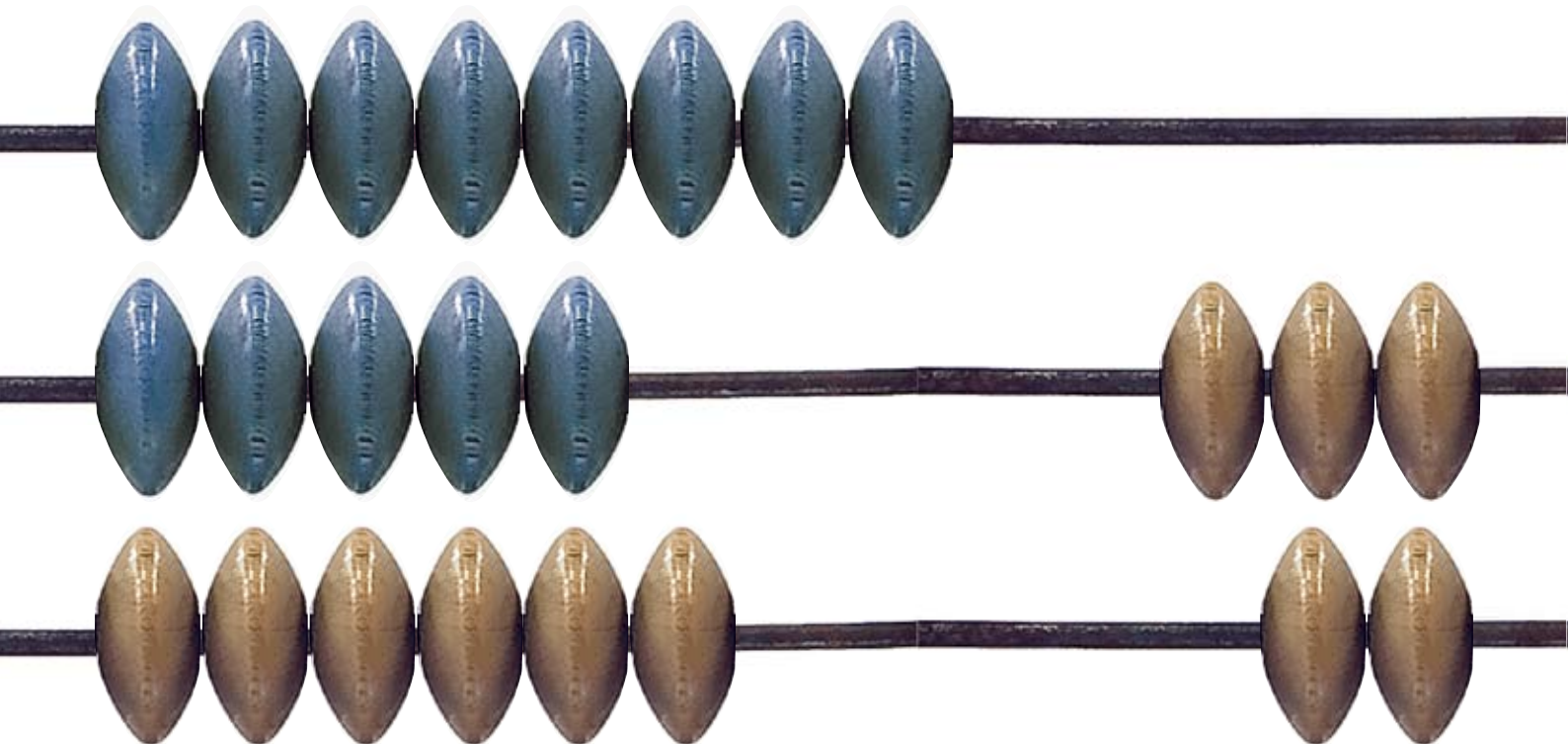
Outsourcing:

Reducing payroll and management time while accessing the best possible advice can be a very cost effective change when bold moves are necessary



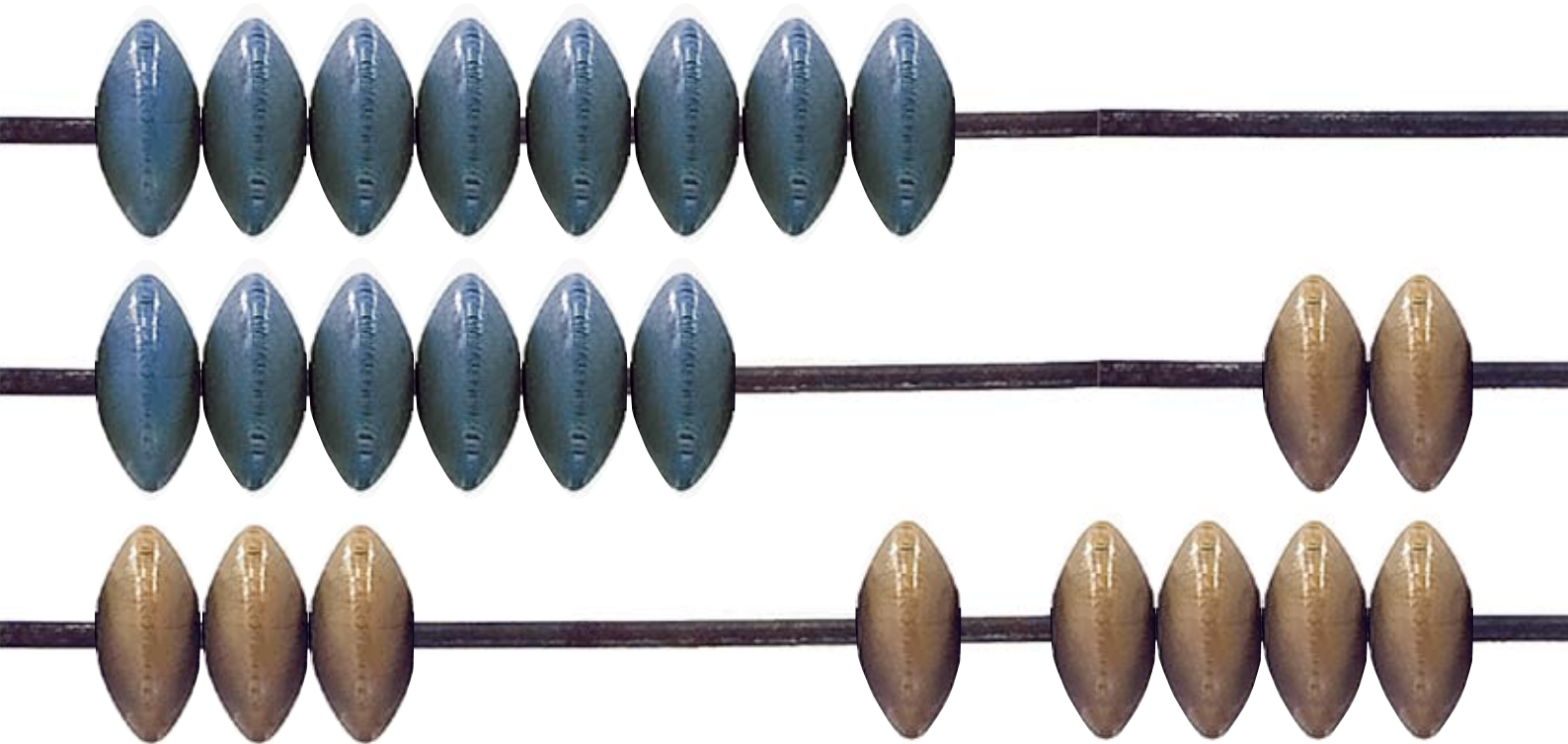
Portfolio Analysis & Data Management:

Tactical decisions need to be informed by quality data and sound analysis of the relevant benefits when site by site tactics are being considered.



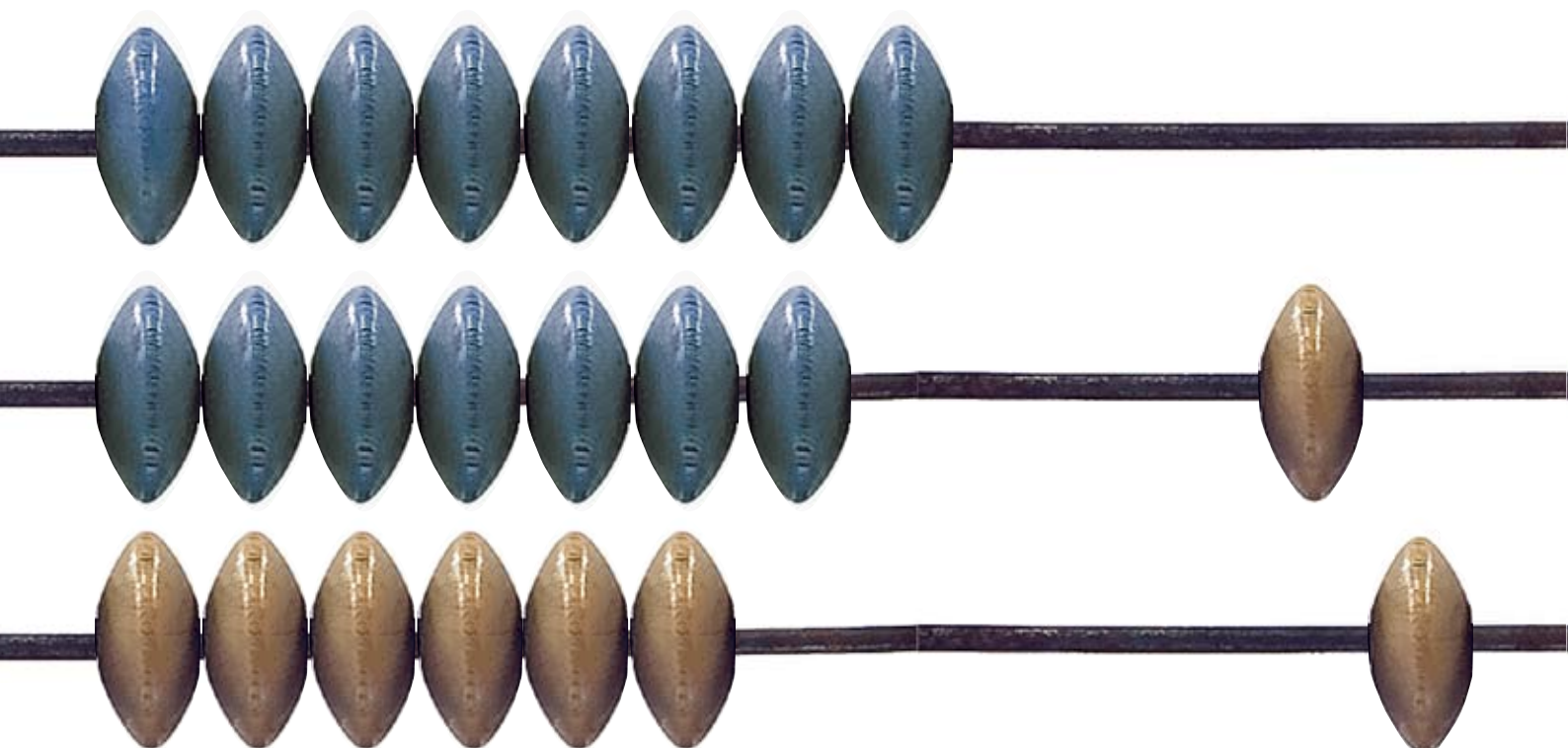
Rating Appeals:

Challenging your current assessment with a view to securing a rate refund and reduced future payments. We would also check transition relief calculations and other relief.



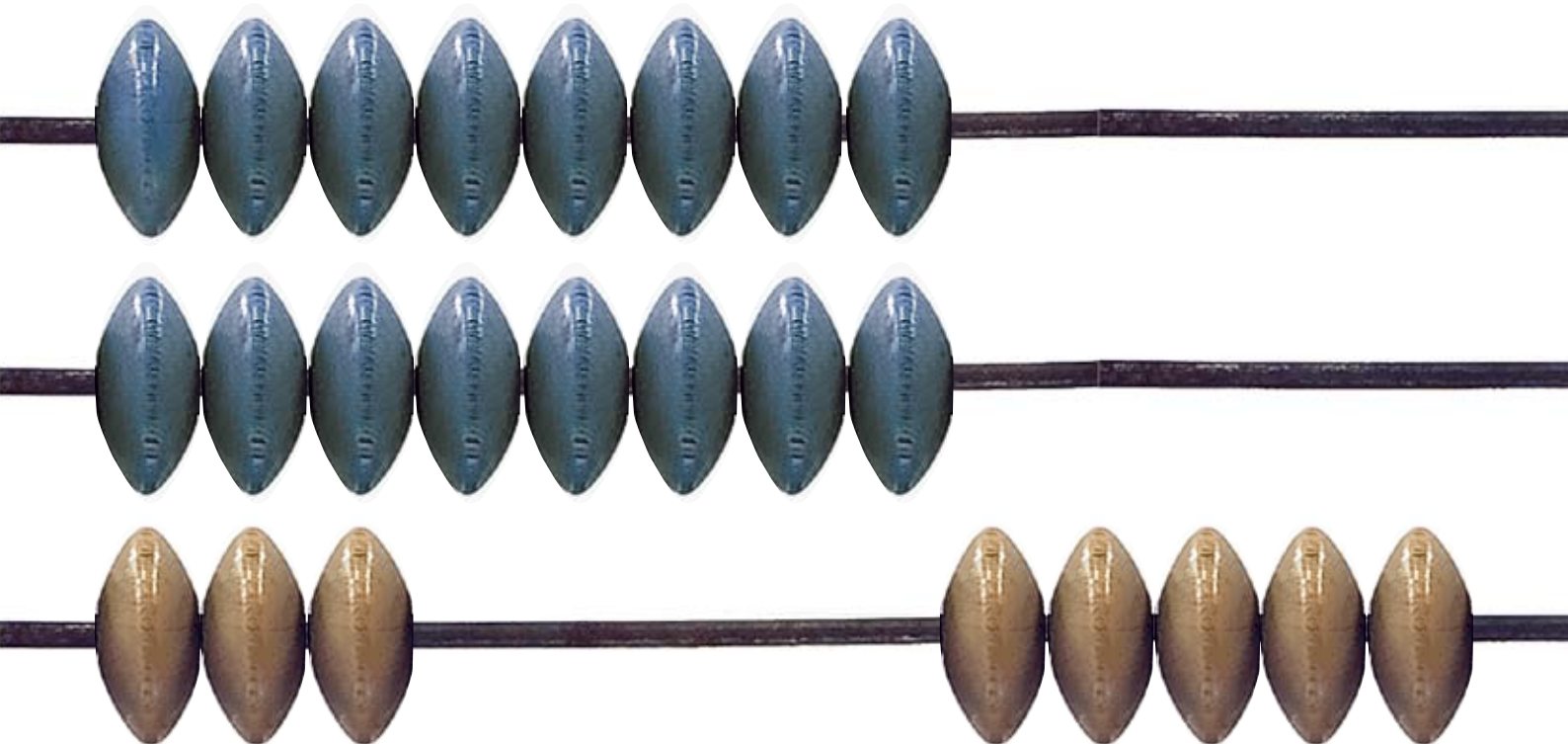
Restructuring:

Virtually every lease has an angle that can be exploited in some way to yield a benefit. The difficulty is uncovering it.



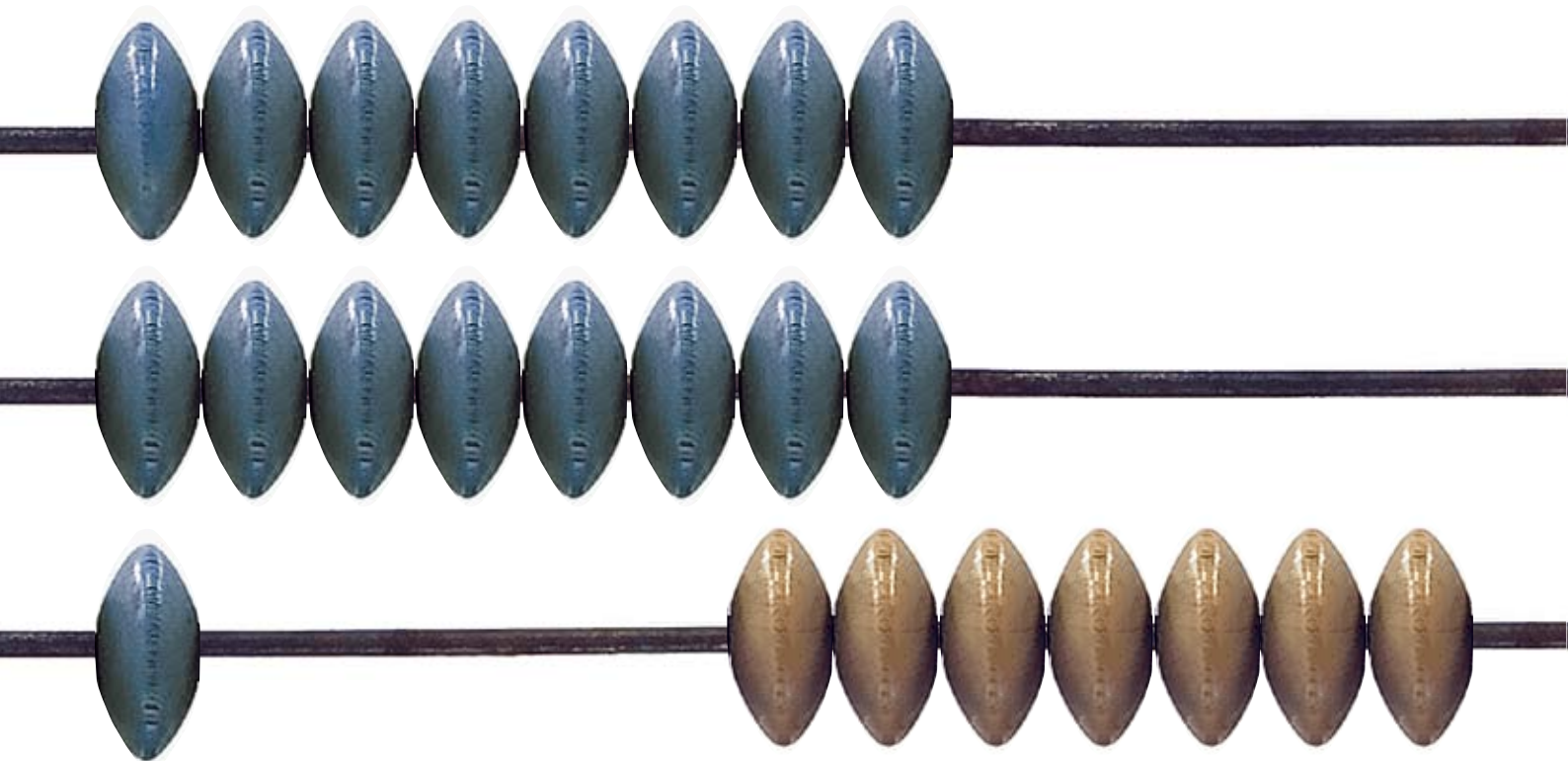
Sale & Lease Back:

Although the market is considerably more difficult and prices reduced from the peak, the sale and lease back market is still operating and can be a valuable source of cash injection.



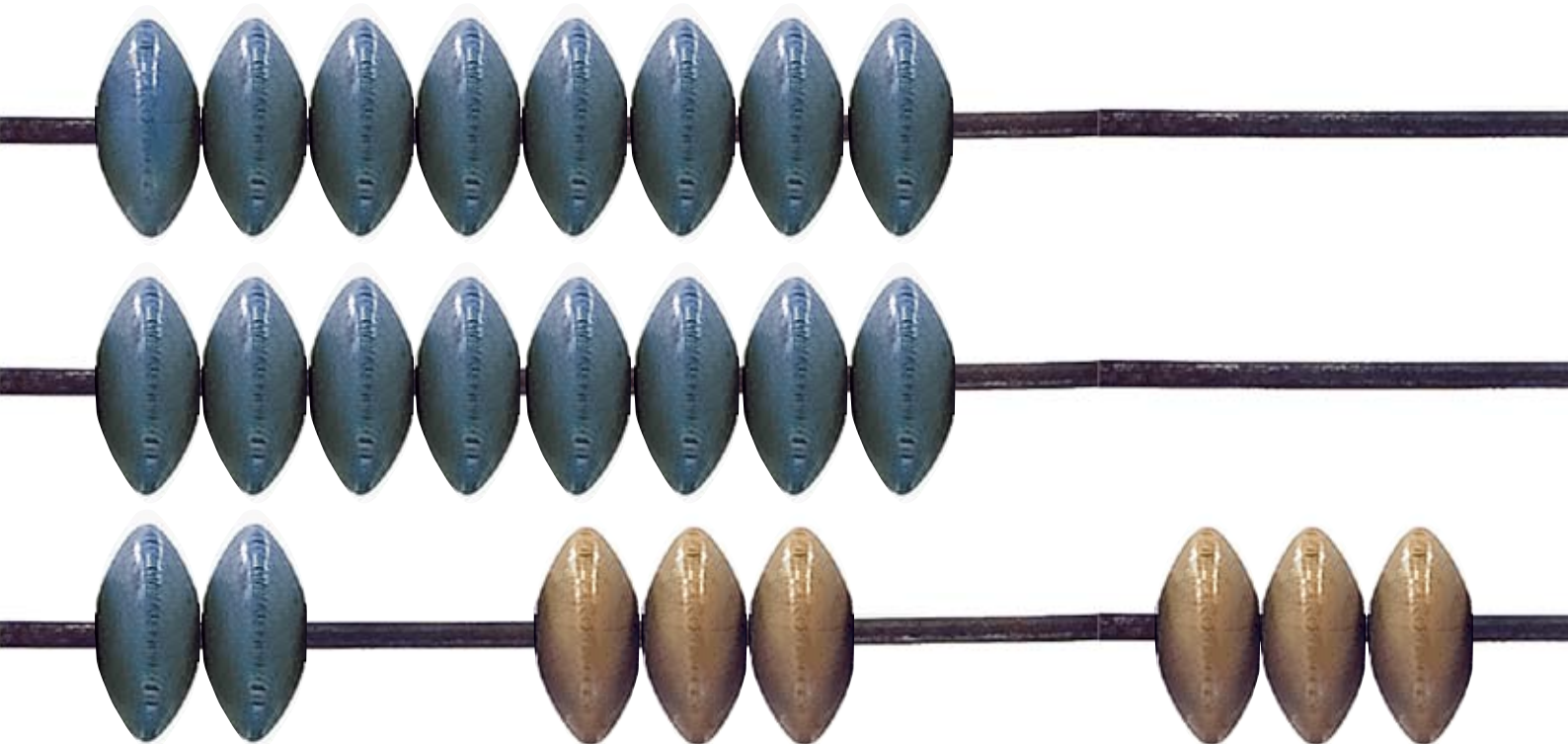
Sale of Dormant Companies:

If your organisation has grown via company acquisition there are frequently dormant or non-trading companies which can be sold to intermediate organisations who will then deal with the lease liability on your behalf.



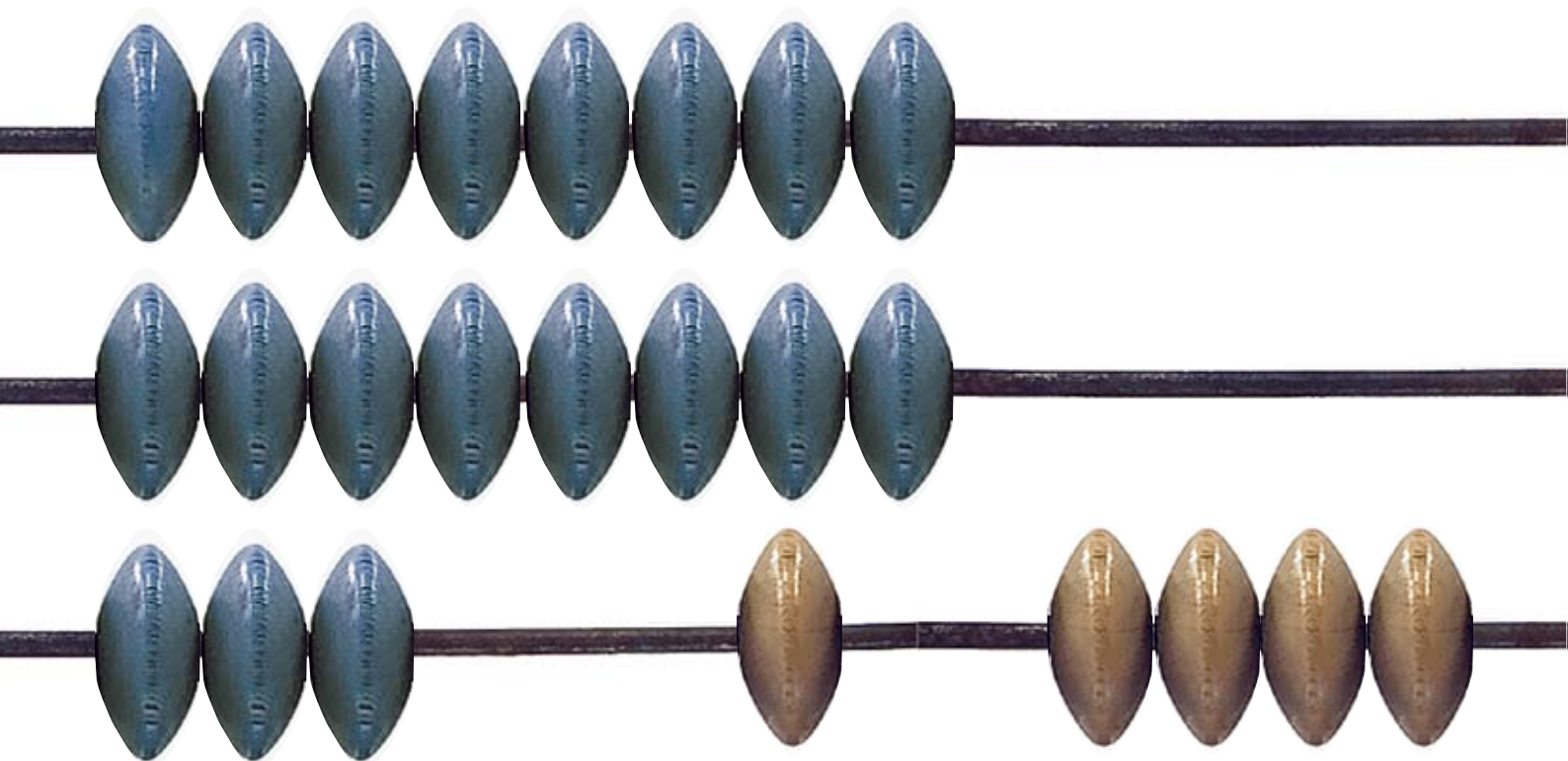
Sell Break Options:

Looming break options have a depressing effect on landlord investment values. They will frequently be keen to “buy” them from you in return for either a rent free period or cash contribution.



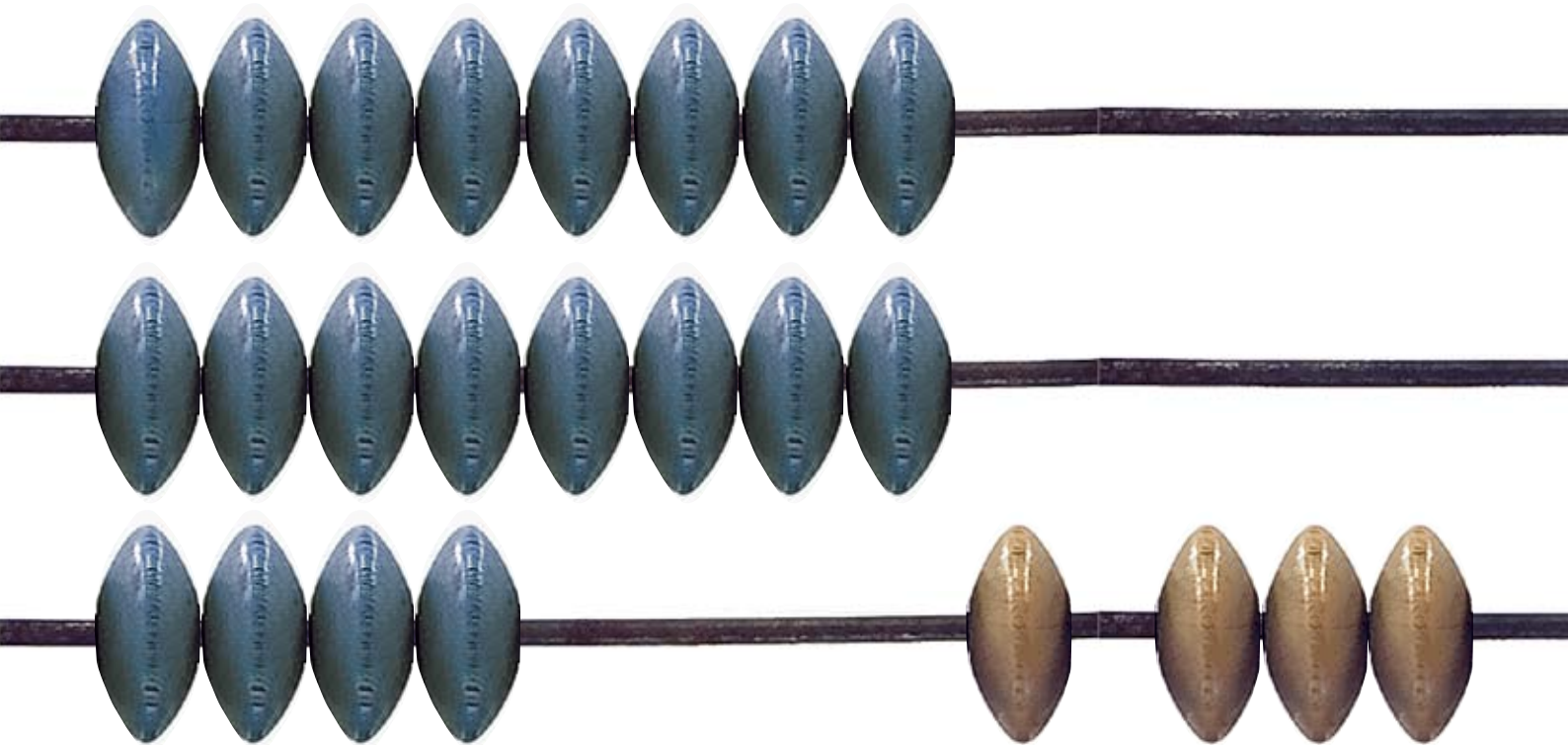
Early Renewals:

Certain properties will be regarded as core, even in a downturn. Waiting until the '54 Act renewal process kicks in will not necessarily get you best value. Looming lease expiries depress capital values, so an early renewal should generate a rent free or capital contribution, if within the 'uncertainty period'.



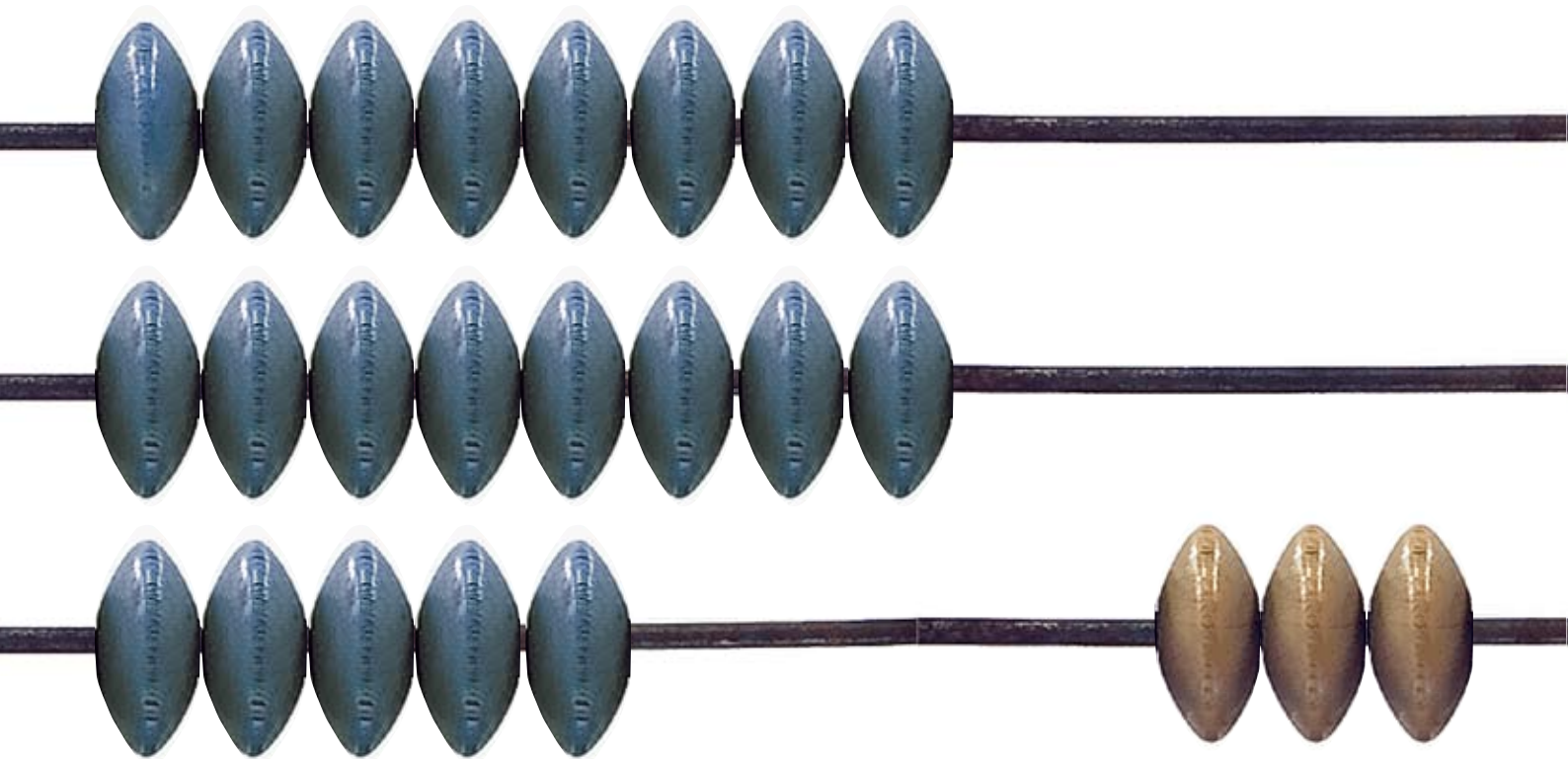
Service Charge Audits:

Revisiting historic service charges can uncover errors and lead to cash reimbursement.



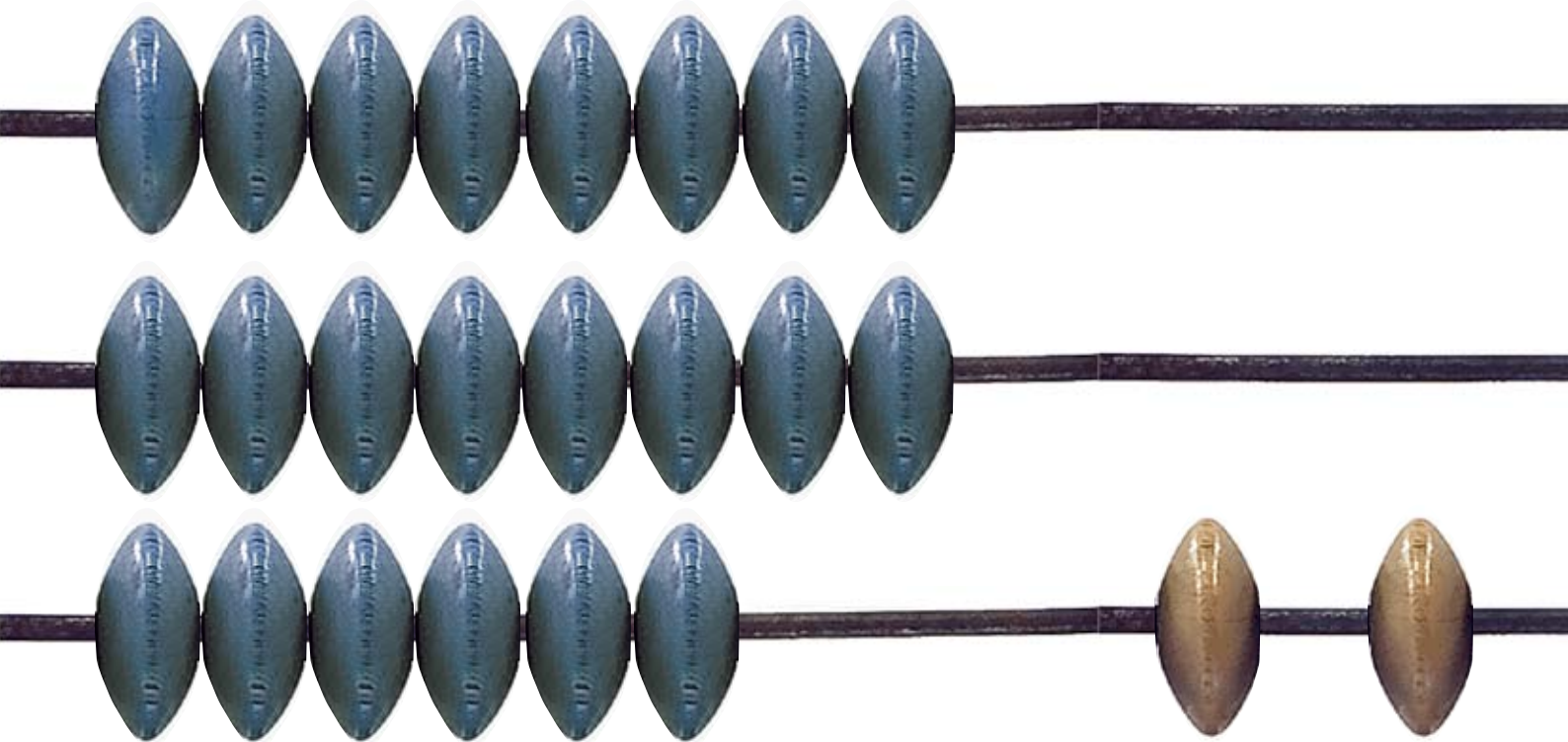
Service Charge Challenge:

Thoroughly questioning budgets and reconciliations provided by landlords frequently yields cash savings.



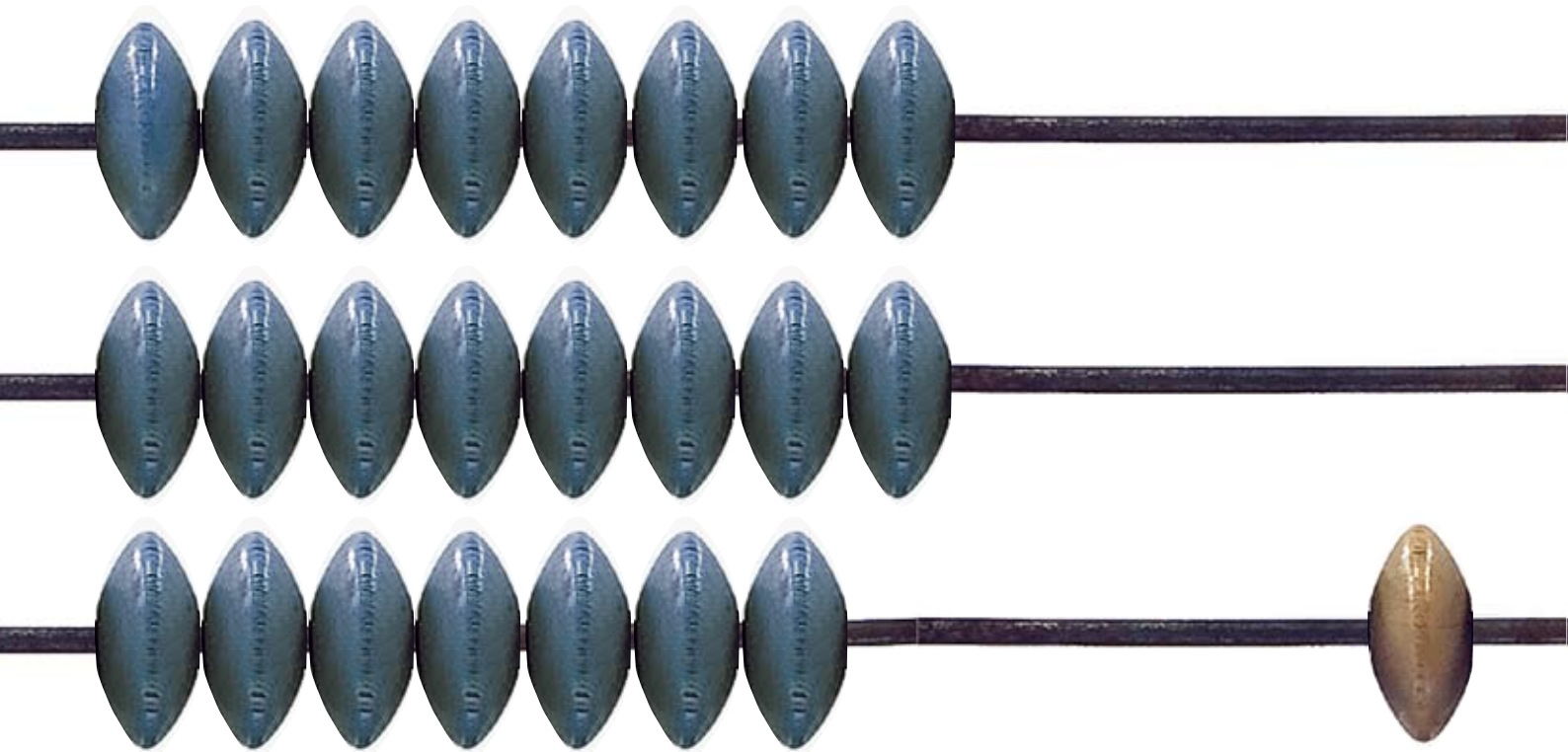
Space Utilisation Audit:

The efficiency with which you use your space and remodel the business through any restructuring will be key to freeing up further space for disposal.



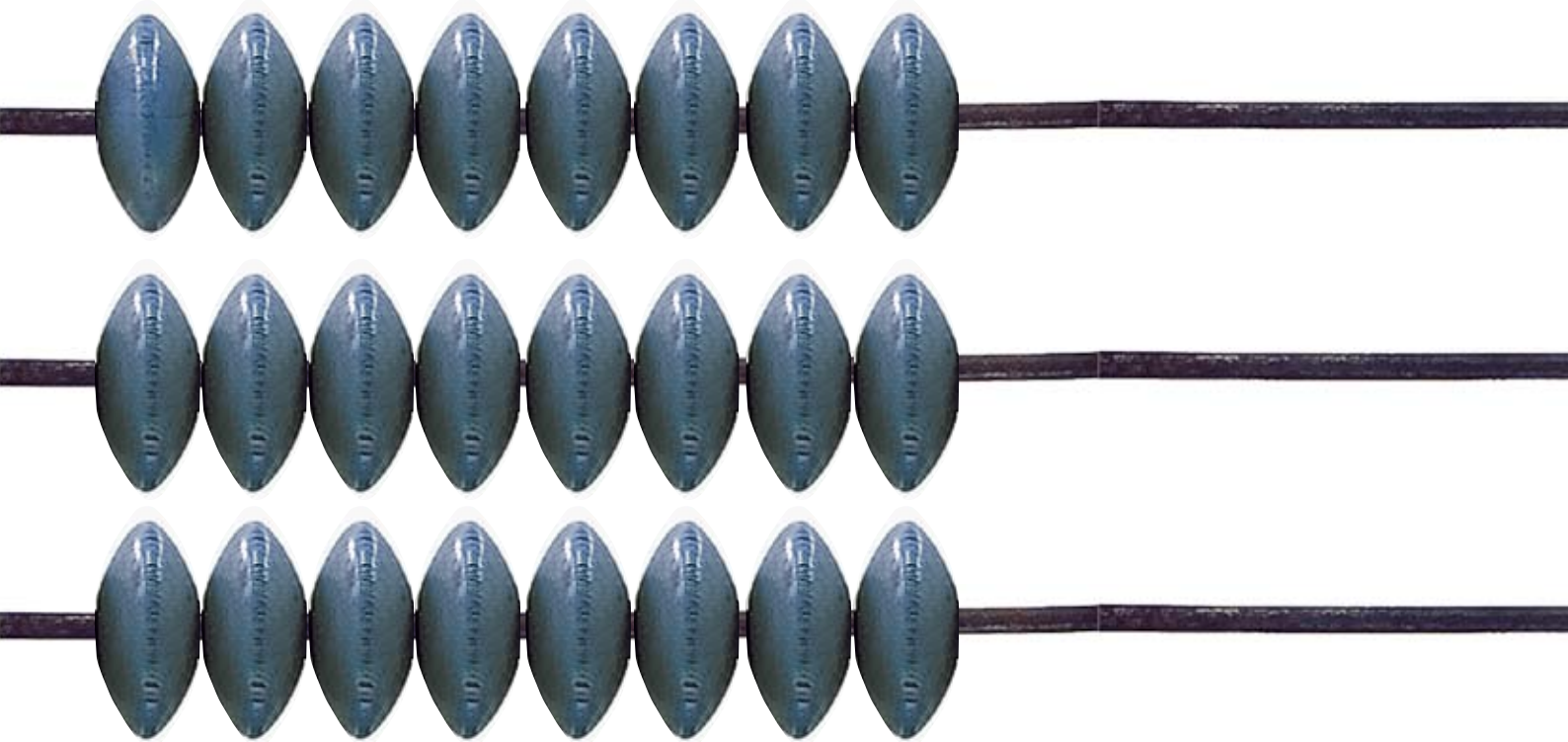
Sub-letting:

Disposal of part of your surplus space or disposal of terms different to your head lease deals with part of the problem but frequently leaves a monthly cash shortfall. Opportunities for sub-letting are becoming more difficult.



Surrenders:

Landlord attitudes towards negotiating surrenders vary enormously and it is frequently a surprise as to what can be achieved even in difficult markets.



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