

So why revisit your space now?

Budgetary restraints have never been tighter. Borrowing is difficult to achieve and, if successful, can have punishing financial strings attached. Everyone is working on the basis that maintaining market position and profit is the best that can be achieved. Moving is expensive, time intensive, costly and can affect the focus of the business

However, there is another side to this story. Landlords are facing voids across the board and are desperate to keep income flowing, often just to satisfy the interest owed on loans from their own banks. A void throws up a rating liability they do not want. Rents are at an all time low. Short unexpired lease terms depress the value of reversions. Looming break clauses achieve exactly the same end.

There is little new development. What is more, that brand new empty building down the road has more efficient systems, (low service charge and with no requirement for medium term refurbishment) and will really attract business with the enhanced image it will create. New buildings provide more flexible space and raise staff morale. Capital contributions and rent-free periods are often substantial which may help cash flow and see the business through forthcoming, potentially difficult years.

What opportunities exist for your business?

Break Clause

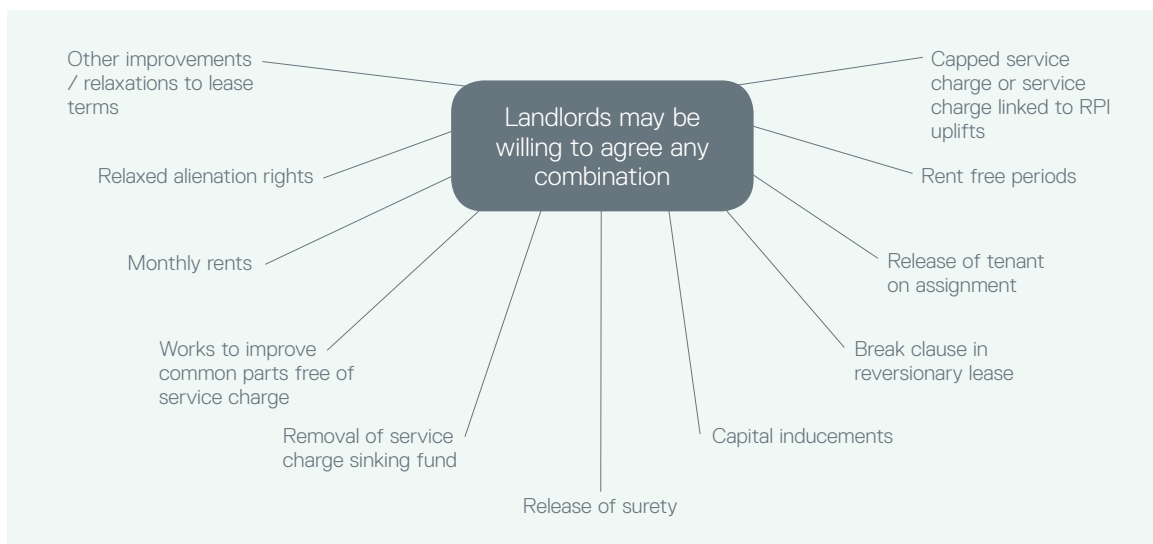
Don't pass up the opportunity to take a new lease now, by way of agreement for lease and link the move to a forthcoming break in your existing lease. There is virtually no speculative development ongoing at the moment.

Advantages include:

- > Securing relatively low rents and a brand new building.
- > Great incentive packages.
- > Drive down your fit out costs. Contractors are desperate for business and you may achieve low tenders, great payment profile and strict contract terms.
- > An energy efficient green building (Carbon Reduction Commitment (CRC) costs are not too far away).
- > Punch above your weight in terms of covenant.
- > The ability to plan ahead in terms of strategy.
- > Acquire fittings, furnishings and equipment at competitive prices

Reversionary Lease

Extending your short-term lease on existing space immediately increases the value of the Landlord's reversion. This could derive any one or more of the following benefits:



New Premises

Depending upon location little or no new build is being started. There is a view that new stock of new vacant prime office space will disappear quite quickly in Central London, and that tenants will then be forced to look at second hand space with all its drawbacks. For instance, rents may start to increase as 2010 progresses.

Sale and Leaseback

If you own the Property freehold, have you considered a sale and leaseback possibility, thus injecting cash into the business? A fifteen-year term may secure a substantial cash release for you, dependent on covenant strength.

Increase in Covenant Offer

You may have leasehold premises and be fortunate to have a weak company / subsidiary as tenant with a much stronger covenant within the corporate structure. The landlord wants to sell but can't due to the covenant strength of the tenant. In reality you will not be moving from the premises during the term of your lease, so why not offer a surety and take a premium to improve cash flow?

“ We engaged Taylor Wessing in connection with our HQ relocation in Portsmouth. Their ability to advise strategically on our exit strategy from existing holdings and link that into a new development was exemplary. Their pro-active approach ensured the identification of material issues at an early stage coupled with a range of options and solutions. ”

Michelle Salter – Business Development Manager, Raymarine Plc.

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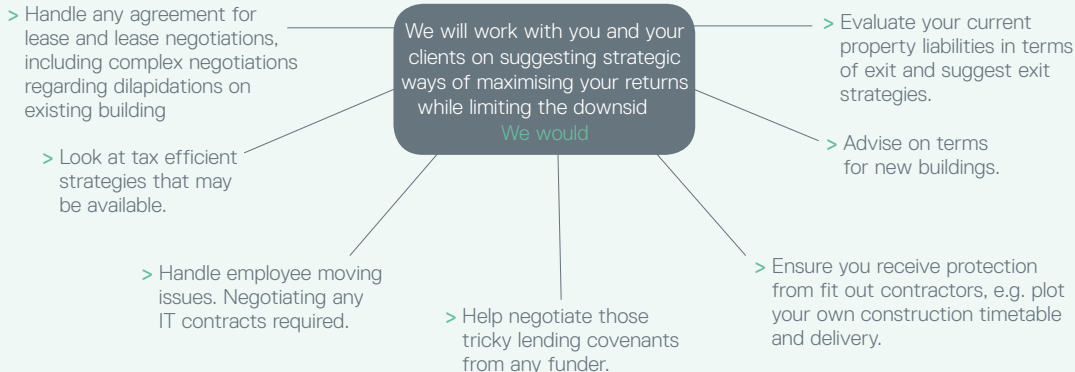


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