

DIRECTORS' BRIEFING

TURNING SURPLUS SPACE INTO CASH

Although the take up of commercial property by tenants is at an all time low and supply levels in some of our major cities now account for anything up to 6 years of supply, lettings are still taking place. So, how can this be? If you are a business tenant and you want to dispose of surplus space, should you bother? And, if so how do you get the best returns and convert your burden into cash?

As the cost of holding surplus space is a real P&L burden, Haywards takes the view that every one of its clients should take an aggressive stance to cutting out the waste. A 10,000 sq ft piece of office space could be loading the P&L by anywhere between £350,000 and £600,000 per annum. In London it could well be far more. The revenue implications to cover this cost are enormous.

However, to be successful in disposing of surplus space on reasonable terms you need to think very differently. The days of hiring an estate agent, putting up a board, sending out some particulars and then hoping to land a tenant are over. It is like building a web site and hoping Google will spot it!

To succeed in this market Haywards uses a 10 point plan which has been successfully developed over many years. The plan is unique. It addresses every stage of a disposal project from strategy to implementation including tenant or sub-tenant integration. Whilst the plan cannot dictate when your space will be let, it can guarantee that it will be let faster than traditional methods (all things being equal) and, most probably, at better returns.

So how are these results achieved? Whilst all 10 points in the Haywards Disposal Plan are important, we have set out 4 key points for you to consider:-

1. **Strategy** – Be clear! Too many occupiers enter the disposal cycle without a clear view on the maximum amount of space that should be disposed of, the realistic rents that can be achieved or a solid understanding of the tactics. These points, right through to the way in which any sub-tenant might be charged for shared services, need addressing at the outset.
2. **Financials** - Understanding the financial drivers and mechanics is crucial. Some applicants will do deals if they are cash neutral, for others, it's all about cash-flow or the resulting contingent liability. Planning in advance and anticipating the commercial drivers is an essential component of the disposal model.

3. **Pretend You Are A Professional Landlord** – Most occupiers earn their revenues from other activities, not leasing space. However, as if by some curious magic, when it comes to a property project, suddenly everyone is an expert! To help your chances of success you need to think like a top end property company. Ask yourself this. Would a best in class property company try and let space which was in dire need of refurbishment? Of course not. So why are so many occupiers trying to buck the trend?
4. **Treat Your Future Tenant (Subtenant) As A Customer** – This might sound obvious, but far too many viewings, which after all represent an intent to lease, and deals fall through because attitudes and behaviours are simply not aligned. In a market where one viewing might be your last for 2 months, anything other than an exemplary customer focussed attitude will not do.

In summary, now more than ever, every aspect of a disposal project needs to be considered very carefully. Haywards and its clients, for whom we have applied all 10 points of the plan, know that with a clear strategy, good planning, professional insight and a relentless attitude to excellence of delivery, surplus space can be successfully turned from a burden into cash.

Final Thought

“Start by doing what’s necessary, then what’s possible and then suddenly you’ll be doing the impossible”.

For Further Information

If you would like to know more then please do not hesitate to call us in the first instance.

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About Haywards

Haywards is a leading commercial property and workplace advisor representing the needs of occupiers throughout the UK and across Europe. We deliver and sustain business profitability and flexibility by increasing the contribution made by property and workplace environments.

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