



McCalmont Woods



GUIDE TO INDEPENDENT TENANT REPRESENTATION

Written and produced by
McCalmont-Woods Real Estate LLP

Independent...

Free from outside control; not subject to another's authority;
Not influenced by others; impartial.

Independence defines McCalmont-Woods Real Estate (MWRE). We are Tenant Representation real estate specialists, established to further the interests of corporate occupiers.


Since MWRE was founded 10 years ago, the business has provided independent advice on in excess of £300 million rental commitments to corporate clients across London's prime real estate locations and beyond. Our real estate market knowledge, contacts and advice help our clients to increase their profitability and grow their businesses.

MWRE is regulated by the Royal Institution of Chartered Surveyors and is subject to RICS quality assurance. RICS regulates and promotes the profession, maintains the highest educational and professional standards and protects clients

and consumers via a strict code of ethics.

Founding Partner, Nick McCalmont-Woods co-founded the Tenant Representation Advisors Society (TRADS), which launched in London in 2016. Today, the Society has grown into a formally constituted professional association with over 100 members and has evolved to provide members with a training, education and networking forum created to promote excellence in tenant representation.

As the UK member of the Alliance of Tenant Representatives, an invitation-only membership organisation comprised of the top corporate real estate firms that represent only business space users in North America, MWRE shares resources, knowledge and skills with other ATR members to deliver a seamless corporate real estate service to clients across the UK and North America via a strong, established, transatlantic network of offices.



"MWRE is the master at thoroughly evaluating a client's requirements, objectively questioning their objectives, introducing real life/market perspective and then providing clear and succinct advice. Their occupier focus, with an almost unique conflict free position combined with a genuine cross section of career experience, stands them out from both the larger corporate advisers as well as the other smaller specialists."

Martin Wallace
Head of Leasing
Brookfield Properties, London

...Perspectives

The challenges facing corporate occupiers are legion. In a world as unfamiliar to many businesses as corporate real estate, the prospect of 'going it alone' can be truly daunting - and not without reason.

Office relocation, disposals and rent review processes are typically highly complex transactions fraught with pitfalls, which could potentially prove extremely costly to the organisation concerned.

From acquisition to disposal, to rent review and lease advisory services, corporate office occupiers need to be able to call on an independent advisor they can trust.

Tenants can only achieve optimal outcomes and savings in an environment that is entirely free from bias. To achieve this, it is imperative that their Representatives are truly independent and consequently operate without any conflicts of interest.

We believe that you should be able to receive the same quality of advice that your Representatives would recommend for themselves, knowing what they know, if they were in your shoes.

Since the strength of our business is founded on the lasting relationships and trust that we build with our clients, we are dedicated to championing their needs and interests as trusted advisors. That is the spirit with which the Guide to Independent Tenant Representation has been produced.

We hope this brief Guide will be of interest to you. Should you require any further information or have any thoughts or questions in relation to the challenges we have raised here, please do feel free to get in touch with us.

Nick McCalmont-Woods, BSc, MRICS
Founding Partner,
McCalmont-Woods Real Estate LLP



"MWRE's flexible, approachable style and years of experience in its sector gave a great deal of confidence that we were getting the best deal available.

Moving offices is a once in ten years project for us whereas MWRE has been continually guiding clients through this process for as many years. Their pragmatism and knowledge were an essential part of ensuring everything happened smoothly and on budget."

Mark Coppin
Operations Director
Ipes (UK) Limited



Confronting the Issues...

10 Key Questions

For any corporate occupier embarking on acquiring or disposing of a property or negotiating the renewal of a lease with a landlord or a rent review, there are numerous and varied questions, considerations and issues that need to be addressed.

Here is our Top 10

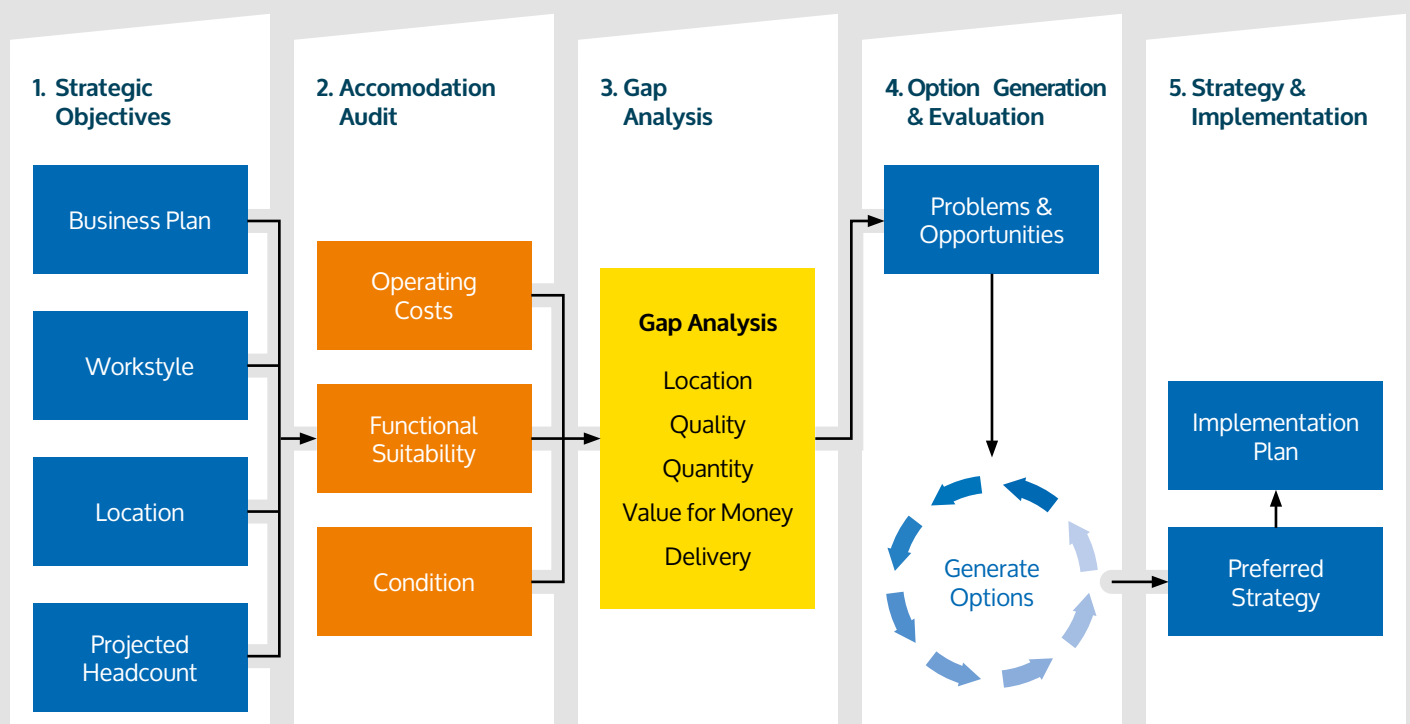
1. Do you have an accommodation strategy that will take into account every aspect of your business needs?
2. What action plan should you have in place to secure the most cost-effective exit from your existing business premises and the relocation to your new offices?
3. What market and regulatory intelligence do you possess and require in respect of the office market, how accurate and up to date is it and how do you plan to keep informed on the latest trends throughout the transaction process?
4. What due diligence process will you apply to facilitate the research and selection of suitable properties to buy or rent on the most beneficial terms?
5. What key milestones will you need to put in place in order to facilitate your acquisition and/or disposal of office premises?
6. What financial analysis must be undertaken to aid property selection and benchmark all of the related costs?
7. What are the key steps to the successful preparation and negotiation of heads of terms on any lease renewal or relocation to new premises?
8. How will you future proof your organisation's occupation of new premises through business rates tax planning?
9. Have you factored in service charge, property maintenance and management expenditure audits and reinstatement and dilapidations cost planning?
10. Last but not least, what critical resources and skills would you need to have in-house in order to project manage such a critical move?

...De-risking the Solution

7 Key Areas

MWRE recommends that occupiers limit their exposure to risk by focusing on 7 key areas:

- 1. Market dynamics**
Research the supply and demand for offices within your preferred location(s); maximise the timetable available to undertake market research and identify suitable building options.
- 2. Rental movement**
Consider the impact of rental movement on the acquisition, disposal process and likely impact at rent review.
- 3. Building ownership**
Understand the landlord and tenant's aspirations and objectives (and level of commerciality) in negotiating a transaction.
- 4. Deal structure**
Structure any lease to 'fit' with your (short, medium or long term) business plan.
- 5. Due diligence**
Commission relevant building and Mechanical & Electrical (M&E) surveys and assess the impact on heads of terms, undertake detailed cash-flow modelling and consider alternative mechanisms to finance any office fitting-out.
- 6. Relocation strategy & tactics**
Control the negotiation agenda and make sure to have a back-up Plan B strategy.
- 7. Exit strategy and costs**
Investigate your ability to terminate and/or renew your lease and mitigate your liability for reinstatement and dilapidations at expiry.



Making the Case for Independent Thinking...

Nothing demonstrates the power of an independent approach more than real-world examples. Our experience has shown us that our clients remember the times we stood firm in our determination to resolve an issue, despite the challenges we may have faced along the way.

The case studies and testimonials shown here illustrate how independent thinking is able to rise to the toughest brief.

Neon

Neon Underwriting (previously Marketform) is a vibrant insurer operating in the specialist Lloyd's market and is a member of Great American Insurance Group (GAIG), the insurance operations of American Financial Group, Inc. (NYSE: AFG). AFG has approximately US\$60 billion in assets.

Objective

Neon occupied an historic Grade II listed 20,000 sq ft self-contained office building on the fringe of the City's insurance district. An impending lease expiry provided the opportunity for Neon to either remain in occupation of its existing premises under new and improved lease terms or for the business to seize the opportunity to relocate to a more efficient single floor in a modern office building located closer to Lloyd's of London.

Action

Since pre-planning and research is fundamental to the success of any relocation project, MWRE undertook a thorough market investigation into the existing and future availability of office space within Neon's preferred geographical area. The options identified formed the basis of a detailed 'stay vs go' analytical model and enabled MWRE to leverage the best possible lease terms for Neon under both lease renewal and relocation scenarios.

Comprehensive building and mechanical & electrical surveys were commissioned which ensured that the building owners were required to carry out various remedial works to the property following the pre-acquisition due diligence advice provided by MWRE and associated project team members.

Result

MWRE negotiated for Neon to take a new 10 year lease on 29,500 sq ft at 20 Gracechurch Street, London, EC3 and maximise the tenant incentives available to the business while ensuring that Neon would benefit from certainty of occupation by negotiating that the new lease would benefit from the statutory protection afforded by the Landlord & Tenant Act 1954.

"We initially had an office space spread over 6 floors, in a building that was nice, but not really close enough to Lloyd's to meet our needs. We worked with MWRE to move into a building that let all of us be on the same floor, and not only closer to Lloyd's, but with other insurance companies in the building. The impact of getting all of us on the same floor was tremendous – it really made a difference in how we worked together. I was very impressed with MWRE, and their ability to make all of this happen for us!"

Andy Ribaldo,
Chief Financial Officer,
Marketform



...Championing Occupier Outcomes

Hartree Partners

Hartree Partners, LP is a global merchant commodities firm specialising in energy and its associated industries. Founded originally as Hess Energy Trading Company LLC (HETCO), Hartree's business spans 10 offices around the world.

Objective

Hartree Partners occupied circa 8,000 sq ft offices in a building earmarked for redevelopment in London's West End and at lease expiry, Hartree would, in competition with all other tenants in occupation, be forced to relocate to alternative premises in a market where the supply of office space was severely constrained. Hartree appointed MWRE after a previous property deal had fallen through at a late stage, leaving the business with a very tight timeline in which to find new office space to which to relocate.

Action

The services provided by MWRE included:

- Research into the size, suitability and timing of alternative available premises;
- Research into the availability of 'off-market' opportunities and likely timetable for occupation;
- Arranging site inspections and presentations with potential landlords;
- Advising on a strategy for Hartree to extend the lease on its existing offices in the short-term;
- Advising on a strategy to leverage the best commercial lease terms on new premises;
- Advising on building specification and the best process for procuring Hartree's new office fit-out;
- Providing advice on reinstatement and dilapidations at lease termination;
- Advising on future expansion and earlier determination options;
- Providing advice on office rental levels and tenant incentive packages;
- Drafting and negotiating of heads of terms.



Result

MWRE negotiated for Hartree to acquire a large single floor of 11,300 sq ft at Cardinal Place, 100 Victoria Street, London, SW1 under a new 10 year lease to maximise the tenant incentive package available to the business. An LTA 1954 protected lease was structured to provide security of tenure. The balance of space deemed surplus to Hartree's immediate needs was sublet on a 3 year short-term lease to a strong UK covenant, which, in addition to generating rental income on 2,200 sq ft also provided Hartree with expansion space to cater for its future business growth.

"MWRE did a great job of finding a new London office space for Hartree. They worked hard and found us a great space before it got advertised on the open market. They are good communicators and we felt very well informed and advised throughout the whole process; we would not hesitate to use them again."

Jon O'Neill
Managing Director
Hartree Partners (UK) Limited

McCalmont-Woods is a specialist tenant representation real estate agency focussing on the acquisition and disposal of office premises, and provision of Landlord & Tenant related advice, on behalf of blue-chip clients in the UK's prime corporate locations.

Trusted Advisors

- Hands-on personal service from market experts
- Highest standards of client care and integrity from an RICS regulated firm
- Knowledge of 'best practice' gained from a wide range of complex assignments

Specialists in Tenant Representation

- Guaranteed un-conflicted advice
- Unique solutions that reflect the client's objectives and ambitions
- Speed and focus – no distractions from other tasks

Expert Advice

- UK-wide local market knowledge, with global experience
- Strong, established Transatlantic network
- Exceptional service and track record of successful project completion

Acquisitions

Finding the right offices space for your business to grow

Disposals

Reducing your property costs

Rent Review

Combining an expert view with a commercial approach

McCalmont Woods



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