

Major extension and refurbishment to generate extra income

- Property:** Single-let hybrid building in Stockport
Client: Charity Fund
Project: Improvements to building ahead of lease expiry to increase income and extend lease



Problem

- The building was a converted warehouse occupied as a call centre. Its appeal to the occupier was the good car parking ratio.
- The building was a high yielding investment for the landlord client, investing for income.
- With 2 years left unexpired on the lease, it was apparent that the business had expanded and that the building was not only becoming too small but also the look and feel no longer served the occupiers business needs, keen to improve its image to its customers.
- The Client faced a vacant building and no income.

Solution

- The occupier was approached to explore options to adapt the building to suit its business going forward.
- Proposals were worked up to show how the building could be improved. Having established the options and having obtained in principle agreement, further detailed schemes were produced and financial options presented.
- After a long period of negotiations, terms were agreed to refurbish and extend the building. The cost of the works would be shared between the parties and the occupier would take a new 10 year lease on completion of the works.
- Throughout the process, the client benefitted from a single point of contact.

Results

- To improve the client's investment position, given the nature and location of the property, the new 10 year lease would provide for 3 yearly rent reviews to the higher of market rent or indexation.
- The overall net capital profit for the client was 10%.

Building extended
30%

Income sensitivity
Void risk removed

Net Capital Return
10%