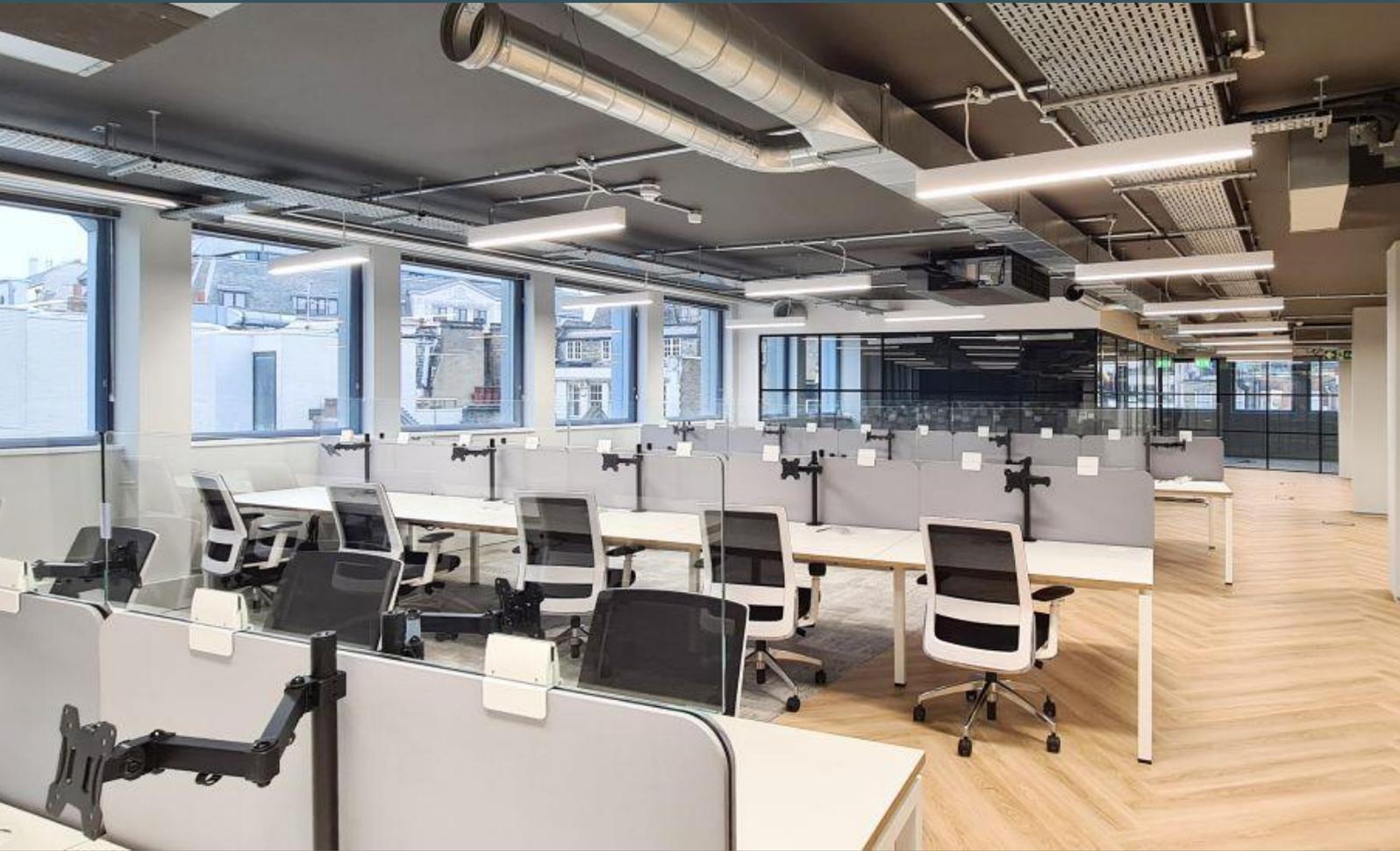




MORGAN PRYCE



OFFICE MOVE GUIDE

Helping you through every step of
the office relocation process





The process of finding the right space can be broken down into a few key questions, each vital to facilitating a simple and successful relocation.





Contents

SECTION 1

- 01 Finding the right office
- 02 Getting started
- 03 How much space do you really need?
- 04 What about future expansion?
- 05 Working out your budget
- 06 Rent
- 07 Service Charge
- 08 Buildings insurance
- 09 Business rates
- 10 Where would you like to be based?
- 11 What facilities are you looking for?
- 12 Who is going to find the new space?





SECTION 2

- 13 How to negotiate the best deal on your new
- 14 Heads of Terms
- 15 Key items of negotiation for the Head of Terms
- 16 Rent per square foot
- 17 Service Charge details
- 18 Length of lease
- 19 Deposit
- 20 Rent-free Period
- 21 Alienation
- 22 Dilapidations
- 23 Landlord Obligations
- 24 Licence to Alter details
- 25 Costs
- 26 Moving forward
- 27 The Lease
- 28 Space Planning
- 29 Office fit out and design
- 30 Compliance
- 31 Budgeting for an office fit out
- 32 Basic fit out costs





SECTION 1

Finding the right office

01

The initial planning stage is vital to any office relocation, as it will determine the nature of the entire procedure. A solid set up early on will ensure a smooth transition and successful move.

In this first section, we will look at how to best determine your requirements so that you can minimize the amount of time spent looking at spaces and go in with a clear, concise brief to whomever you task with finding your ideal new office.





A solid set up now will ensure a smooth transition and successful move.

02

Getting started

The process of finding the right space can be broken down into a few key questions and factors, that will each facilitate a simple and ultimately successful relocation.

When finding a new office, remember to ask yourself:

- How much space do you really need?
- What is the budget you have to spend per annum, and what must this cover?
- Where would you like to be based?
- What facilities are you looking for?
- Who is going to find the new space?

03

How much space do you really need?

It is important to understand that this question is not “How much space do I have now?” or “How much space does my agent say I need?”

You are probably looking to move because your current space does not meet your requirements in some way, so basing your search on the office you want to vacate is bound to lead to a miscalculation of how much space that is required.

Furthermore, agents are generally paid a commission, so it is in their interest to secure you a larger space. It is important to remember that every 100 square feet of extra space you take is 100 square feet more rent to pay.

The Office Space Calculator on the Morgan Pryce website will help you to determine your requirements from a purely objective perspective. It is worth noting that when calculating the amount of space you require, the overall goal (unless money is of no consequence) is to secure an efficient space, which means it doesn't exceed your requirements by more than 10%.





04

What about future expansion?

There are many different factors that impact expansion, such as the economy, the expected success of the business, or changes in technology.

Taking on more space than you really need at the time you move can cost your organisation hundreds of thousands of pounds. Unless you are certain about your planned expansion, it is far more cost-effective to either:

- Take a space that suits what you need today, making sure you can sublet or assign the lease to another organisation in the future, so that you can move to a larger (or smaller) space if necessary.
- Take a space in a building with additional capacity that you will be able to rent when you need it, rather than from day one.

Most importantly, arrive at a number and stick to it. Once you have a fixed point around which to operate, you can work out everything else. The cornerstone to a successful move is to be disciplined and confident from the beginning.





05

Working out your budget

Once you have a better idea of your ideal space, you can determine your total budget, and it is at this stage when things really start moving.

When you know the space you want and how much you can afford to spend on it, you can start thinking about location. Firstly, and most importantly, you must calculate what total inclusive budget you have to spend per annum.

Before considering a figure, you should ask yourself:

What does my budget have to cover? One of the most common errors organisations make when looking for a space is to focus on the rent and overlook other crucial cost areas, which can leave a hefty shortfall.

There are four main cost components you should consider:

- Rent
- Service Charge
- Buildings Insurance
- Business Rates

06

Rent

This is the money your landlord receives for giving you the right to occupy the space. An important thing to remember at this point is that rent, unless otherwise agreed, is the only part of the overall budget that is fixed.

For organisations that are not VAT registered, it is also important to determine whether the building has been 'elected' for VAT, as this will significantly impact the amount you pay if you cannot reclaim the VAT element of the rent total.





Service Charge

07

This is your share of the cost for the management, security and maintenance of the whole property – including communal areas.

Unlike rent, this is rarely a fixed price. Sometimes a landlord will agree to ‘cap’ the charge, but it is usually a floating cost determined year on year. However, you can avoid too much uncertainty with good preparation. Accounts for the service charges on a building are generally prepared annually and you should always request copies of previous years to gain a better insight into what the cost will be for you.





08

Buildings Insurance

It is important to be aware that this is not part of the service charge and is still payable if you have contents insurance. Whilst not normally a significant sum, it can still be a considerable amount for small organisations and should always be determined in advance.

09

Business Rates

Business rates are payable to the local council and are based on the square footage of the offices you occupy. Unless you are a charitable organisation, they are a significant cost to a space, and should be an essential factor in your budgeting.

It is important to look out for any extras such as parking spaces that you may not require, as these can increase business rates.

As a rough rule of thumb (obviously this somewhat depends on space and location), we recommend adding at least 50% to the price of the rent quoted when working out your budget. This will enable you to secure an ideal space that does not stretch costs and allows your business to flourish.





Once you have determined how much space you need and what you can afford, you can start thinking about location.

10

Where would you like to be based?

Once you have determined how much space you need and what you can afford, you can start thinking about location.

Ask yourself the following:

- Where are my clients based and does this impact where I need to be based?
- Where do my staff live and will they be able or willing to travel somewhere different?
- Is my industry based in a certain location?
- Are transport links and parking important to the business?

Generally, your ideal location will be a compromise between these four factors and budget.





11

What facilities are you looking for?

Once space requirements, budget, and location have been determined, the final thing you need to do before you begin the search itself is to identify any further facilities you require.

Some of the questions you need to ask are:

- Do I need 24/7 access?
- Do I need air-conditioning?
- Do I need raised access flooring?
- Do I want a prestigious building with a communal reception to impress clients?
- Do I want a view?
- Do I need elevators?

At this point, it is crucial to obtain input from key people in the organisation, such as your IT and telephone systems engineers, so you know what will work for them and what will not. Clearly identifying the features you want in your new office will make it easier for someone to find you the right space, in the quickest time, and with the least hassle.

12

Who is going to find the new space?

There are two different types of agents in the market: Tenant

Representative Agents.

These should act exclusively on your behalf to negotiate and secure your new office space.

Landlord Agents.

These represent the landlord and carry out marketing and negotiations on their behalf. Working with tenant-only agents offers obvious benefits. Knowing that they have only your interests at heart means you can be confident you have someone in your corner, working to negotiate the best deal for you.





SECTION 2

How to negotiate the best deal on your new space

13

Once you have found a space you like that meets the requirements laid out in the brief you created in the previous section, you are ready to make an offer.

The goal now is to negotiate a sound financial deal that achieves the best possible combination of price reductions, incentives, and protections available to you.

14

Heads of Terms

The next stage is to agree a Heads of Terms document with the landlord's agent. Whilst not a binding contract, this is an accepted way of summarising the headline agreements and forms the basis for the lease. Negotiating the key parts of the lease before it is drawn up is crucial, and will probably be one of the biggest contractual negotiations that your organisation undertakes.

It is vital that negotiations are carried out by an expert, as a comprehensive and accurate Heads of Terms will avoid unnecessary, time-consuming, and inevitably costly changes to the overall deal further down the line.





15

Key items of negotiation for the Head of Terms

The following items are generally accepted as the standard basis upon which the lease is negotiated, and agreement on all these points should make it possible for Heads of Terms to be drawn up.

If you have any requirements unique to your organisation and the way you wish to use the space, you should also negotiate these now, to avoid any grey areas or surprises that could impede the moving process later on.

- Rent per square foot
- Service charge and cap
- Length of lease & break clauses
- Deposit amount and return
- Rent-free period
- Alienation causes
- Dilapidations
- Landlord obligations
- Licence to Alter details
- Costs

16

Rent per square foot

This is one of the most important stages for your agent, who should assess the correct level of open market headline rent and ensure you are being asked for an appropriate amount.

17

Service Charge details

As explained earlier, the service charge is normally shared equally between the tenants of a building, and must represent the true cost of running the space. It is a non-profit charge that solely covers building servicing, and as such is reconciled and audited.





Length of Lease

18

This is important for several reasons. It primarily defines how long you intend to stay in the space, but it also influences other factors such as the level of incentive the landlord will offer and the amount of stamp duty you will pay.

In theory, any reasonable length of lease is possible, but standard business leases tend to be in the region of five to ten years. Even more important than lease length is making sure to negotiate a break clause, which allows you to vacate without penalty before the lease end date.

Landlords will also normally require an upward-only rent review at the same point as the break clause, which will enable them to raise the rent to match the current market standard, so of course it can be beneficial to negotiate a longer lease time.

However, a downside to a longer lease is the amount of stamp duty you pay, which is payable whether you are renting or buying, and is calculated on the total value of the lease, assuming that you will not exercise any break clauses.





19

Deposit

Unless you are a very well-established company with an impeccable covenant and a strong balance sheet, the landlord will almost always ask for a deposit.

This can be anything from three to twelve months' rent, excluding service charges, although it is usually negotiable. In fact, the covenant of a business is important for several reasons. Having a major PLC as a tenant will improve the value of a building, and landlords will often accept a lower rent offer if the interested party is a stronger financial entity. Thus, it is paramount that you ensure your finances are in order before you begin any negotiations, and if necessary, secure an accountant's or auditor's letter to support your offer.

20

Rent-Free Period

This is designed to help you cover the costs of moving into a new space, although it is important to remember that rent-free does not mean service charge free, and in virtually every case you will be expected to pay service charges from the day that you sign the lease.

This is often the tenant's best opportunity to negotiate a good deal, as it has the least impact on the landlord's balance sheet, and is also a stage in which having an expert on side can make all the difference to the deal you are able to secure.





It is vital to agree exactly what your rights are as the landlord may try to limit your options.

21

Alienation

Alienation clauses enable you to either get another organisation to take over the lease from you before it has ended, or to sublet parts of the space from you.

This flexibility is crucial, as it gives you an option to exit the lease without having to exercise a break clause.

It is vital to agree exactly what your rights are as the landlord may try to limit your options. Hence, your agent should negotiate the correct wording on your behalf.

22

Dilapidations

Dilapidations determine the state of repair of the property when you move in.

In general, the lease will stipulate that you must return the space in the same condition at lease end. It is paramount that this point is negotiated properly, as you could expose yourself to large liabilities at the end of the lease, particularly if you are taking a brand-new space, as you are effectively agreeing to return the space to 'brand new' when you vacate.

Photographic evidence must be taken by your experts, and a full understanding of what liabilities you will face must be written into the lease, including how costs will be determined and by whom.





23

Landlord Obligations

In addition to rent-free offers, the landlord will often agree to make a contribution to certain items of work before you move in. Here, your agent will negotiate the most advantageous level of contribution.

24

Licence to Alter details

Most leases specify that you cannot carry out internal works without the permission of the landlord.

This is to provide a level of control over what is altered and to ensure that health & safety rules and building control regulations are met.

In most cases, you will be required to sign a Licence to Alter document at the same time as signing the lease.

This details exactly what you can do both within your space and in the communal parts of the building. Included in the main lease and negotiation this incurs no extra costs, but if you fail to have any items permitted at the start, the landlord will charge you an additional fee at a later date.

Landlords will normally insist on you submitting drawings, written specifications and health & safety documents (method statements & risk assessments) for any planned work, and in return they will issue the Licence to Alter permit.



The lease negotiation will normally take place between your agent and the landlord's agent.

25

Costs

Some landlords will try and get you to pay their legal fees, but this should always be refused unless there is a specific reason such as an assignment or sub-let involved. Usually, each party should pay their own legal costs.

26

Moving forward

The next hurdle to overcome is turning the agreed Heads of Terms into a lease that can actually be signed so that you take possession of your new space.

The lease negotiation will normally take place between your agent and the landlord's agent. Be aware that this can be a fairly lengthy process, usually around four to six weeks minimum.

It is important to note that not every solicitor is an expert in commercial property, so you should find someone who is adept in this kind of highly specialised negotiation, as this will give you a far better chance of progressing quickly. It is also useful to have appointed your solicitor before you agree the Heads of Terms so that you can ask for them to be reviewed before they become accepted as the basis for the lease.





27

The Lease

This is usually drawn up by the landlord's solicitor after they have received a copy of the Heads of Terms document. As with everything, this takes some time to put together, so be prepared to wait a couple of weeks before things get moving.

At this point, your solicitor will likely recommend that you hire a surveyor to inspect the property and conduct a report informing you of the state of the building in general. Once the draft lease has been received by your solicitor, they will review and make amendments to it after consulting with you, and thereafter return it to the landlord.

Some landlords might try to insist that their contract is "standard" and cannot be altered, but in most instances this is not the case, and all leases should be reviewed properly to guarantee maximum protection.

As soon as the Heads of Terms have been agreed and the solicitors have begun their dialogue, you will need to know whether the License to Alter will be required.

The main thing you can do throughout the relocation is give yourself as much time as possible to complete all tasks, to avoid putting the process under any unnecessary pressure. If you are looking for a solicitor, ask around for recommendations and do not be afraid to conduct interviews in the same way you would for any other supplier.





Space Planning

28

Space planning will enable you to create a budget for any internal works you want to carry out, and ensure that your new space will meet Building Control office requirements and be DDA compliant.

Before you approach someone to carry out the space planning, create an internal brief that identifies what you want to achieve. The experts can then do the rest for you, and help you transfer your new office vision into an efficient, pleasing design that incorporates all your staff, plus any requirements for offices and meeting rooms etc., in an environment that maximises comfort and productivity for your workforce.

Consider the following:

- What is your budget?
- What is your total number of employees and the team sizes they work in?
- How many internal offices do you want, and how many people in each?
- How many meeting rooms do you want, and how many people need to fit in each?
- Is a boardroom required? If yes, for how many people?
- Do you need a reception area? If yes, does it need to be manned or unmanned?
- Do you need a kitchen or staff relaxation space?
- Do you need a comms room or comms area?
- Do you want new furniture?
- Are there any specific styles that you want to replicate or take inspiration from?
- Are there any other specific, special or nonstandard requirements for your organisation?

Once you have consulted with your internal team and compiled a comprehensive brief, the most cost-effective way to proceed is to contact design and build companies who specialise in fitting out commercial offices, because the design service is free and without obligation. Furthermore, D&B companies handle all other aspects of the planning and implementation stages to ensure a smooth relocation.





29

Office fit out and design

The D&B companies you approach will take you through the following process:

- Schedule initial introduction meeting to discuss requirements
- Create a brief, including staff numbers, room requirements, look and feel, aims and objectives of move
- Produce initial designs for client review and comment
- Produce a quote based on the agreed design

This will be comprehensive and useful, but unfortunately not without its drawbacks. Firstly, most clients like to see a few companies to obtain comparative costings, and unless all of them are working off the same design, the differences can be surprising. Furthermore, companies rarely submit their proposals in the same format, which can be confusing. We suggest requesting that all the companies submit a proposal based on the final space layout that you decide upon. This is perfectly common in the industry and allows for a far more accurate and simpler comparison of the pitches.

In terms of cost, most agents are incentivised by D&B houses for recommendations, and it is not uncommon for an agent to relay information on the quoting process to other parties. Therefore, we would recommend finding at least one or two suppliers yourself and keeping the tendering process confidential to the internal personnel in your organisation.



30

Compliance

Working with a good D&B company can enable a smooth, successful relocation, as they will work closely with you throughout – advising you, liaising with your solicitor and the landlord, in addition to generally assisting in the process of getting you moved in.

Perhaps the most important reason to work with a D&B company on your space planning is the need to comply with regulations. These include:

- Local Building Control permissions
- DDA Compliance

Most works carried out in UK commercial offices must be covered by a Building Control Certificate that is issued by either an Approved Inspector or by the local council. This is your ‘permit’ to occupy the space based on the works you have carried out and is a vital part of your office relocation. Your fit out partner should take care of all aspects of this permit and keep you fully informed about your responsibilities.

Finally, although some D&B companies may ask you for a letter of intent or financial commitment up front, this is not generally required and should not be agreed to unless there is a specific reason for doing so. The industry norm is for you to sign your fit out contract on the same day as your lease, and until that point you have no financial commitment to your supplier.



31

Budgeting for an office fit out

The scale of your fit out will be very dependent on the new space. The key is to be realistic about costs and not make any assumptions when first viewing a property. Even spaces that appear move in ready invariably need some work, even if it is just new cabling.

32

Basic fit out costs

The costs of fitting out an office are difficult to estimate without a proper space plan, but the Morgan Pryce Fit Out Calculator will give you a good idea of how the costs are put together, so you can get a good feel for what you are likely to spend. Please note that the estimates given have been based on a space of around 2000 square feet, and larger spaces will tend to be more cost-effective due to economies of scale.





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