

# Expense Reduction Analysts help SQS save £200,000

CLIENT: SQS Group Ltd  
 SECTOR: Software  
 COST CATEGORIES: Rental

## THE CLIENT

SQS Group Ltd is Europe's largest testing and quality management consultancy with its head office in Germany. Its UK base is in the heart of the City of London with a back office training, finance and admin support function in Woking, Surrey.

## THE CHALLENGE

The company leased 6,200 square feet over two floors in Albion House, Woking which has been earmarked for inclusion in the town centre redevelopment scheme. The scheme was held due to the tough economic climate at the time and therefore the developer landlord approached the client in April 2010 for a short-term renewal of the lease, reducing the rent from £17 per square feet to £15 per square feet from February 2011.

Already having a strong relationship with Paul Pearse from Expense Reduction Analysts (ERA), SQS appointed the property team in September 2010 to evaluate the landlord's proposal and in particular to advise on whether to stay in the building or to relocate beyond the redevelopment area in order to secure better terms and avoid future disruption.

The property team undertook a thorough review of the lease and associated documentation to ascertain the client's basis of occupation. In particular, one floor had been sub-let and the sub-lease was due to expire at the same time - and the subtenant was vacating, creating a possible dilapidations liability to assess.

Furthermore, with the business having been in occupation for a number of years with the protection of the Landlord & Tenant Act ("the Act"), it could be entitled to circa £45,000 compensation in the event of the building being redeveloped. The "sting in the tail" however was that, if the client wanted to use provisions of the Act to secure a new lease, then it would have to apply for a new lease on both floors - including the one previously sublet and becoming empty, thereby doubling the client's property costs.



As always, the service was professional, helpful, clear and concise. The landlord offered a rent of £15 per square feet; Expense Reduction Analysts achieved £7.50 per square feet.

Following a discrete review of alternative options in the market, to avoid alerting local agents one of whom was working for the landlord, inspections of a number of properties were made and competitive proposals negotiated on two possible alternatives. This enabled the property team to report on the comparative cost and suitability of alternative space and to benchmark the landlord's offer. The preference was to stay to avoid immediate disruption to the business, particularly if a slightly longer guaranteed lease term could be secured. Working closely with the client's property lawyer, ERA were able to advise the client on a route not invoking the Act to secure better terms, but to rely on our relationship and negotiation skills to position the client's situation effectively.

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The client agreed in November 2010 and negotiations commenced in December and continued into the New Year. With robust, costed options available, we were able to satisfy the client's needs in terms of lease length and to reduce the rent from £15 per square feet to £10 per square feet, with six months' rent free period spread over two years. This has reduced the rental cost of the first two years to £7.50 per square feet.

Significantly, the property team were able both to ensure that the new lease is within the security of tenure provisions of the Act, keeping both security of tenure and the possible future compensation and to ensure that the new lease covers only the floor occupied and not the floor becoming vacant. The overall cost savings were circa £190,000 for 2011/12 alone on a worst-case basis, but it should be noted that the cost and disruption caused by relocating was also avoided.

Other cost benefits secured included capping the service charge, simplifying the car park charges and ensuring that the basement store is retained on a rent-free basis.

SQS Facilities Manager Julie Wells comments, "I cannot thank the Expense Reduction Analysts Property team enough for their professionalism and care with this project. They have been a pleasure to work with and, once again, have saved our organisation a considerable amount of money and time. As always, the service was professional, expert, helpful, clear and concise."

Commenting on the terms agreed aspect of Expense Reduction Analysts' advice and service UK Managing Director Stephen Fice said, "Not only did Expense Reduction Analysts help in the negotiation process but used their considerable property expertise, to give SQS the appropriate guidance to ensure that the contract was such that it maximised on all the legally available benefits for SQS as a long-standing tenant."

Expense Reduction Analysts Property team is now at work addressing the dilapidations claims in respect of the vacated floor with both the landlord and former sub-tenant, and good progress is being made.