

Expense Reduction Analysts Property Team helps Vileda save £1.6m in rent & other costs

CLIENT: Vileda

SECTOR: Household & Cleaning

COST CATEGORIES: Reduced the rent by 62% with 12 months' rent fee and has brought the rental cost to £8.00 per sq ft over the first 5 years of the lease.

Through strategic and determined approach, the Expense Reduction Analysts (ERA) Property Team helped deliver significant cost benefits for Vileda's UK operation.

THE CLIENT

German-owned Freudenberg Household Products Ltd t/a Vileda offers branded mechanical household and laundry-care products, which make the daily work of the world's consumers and customers easier and more efficient. The company occupied 15,000 sq ft over all three floors in Vileda House, Rochdale, a modern office block built in 1997, under a lease which was due to expire. The business had changed its operating structure since the lease was taken which meant that there was now surplus space.

THE CHALLENGE

Importantly for UK Managing Director Peter Gough, the way the business occupied the building needed to strengthen team cohesion, and he wished to improve his client-facing facilities for the display and demonstration of the group's products. Finance Director Mark Lockwood was concerned that the rent paid of £10 per square foot was possibly above current market levels.

In discussing these issues with David Keating, Expense Reduction Analysts' client relationship manager, David in consultation with Business Development Manager Robert Stearn, was able to identify that these concerns could be addressed by Expense Reduction Analysts and a proposal was put to Vileda to manage the transformation of their work environment, whilst saving money.

A work plan was established by the ERA Property Team led by Paul Giness MRICS to address the issues of space utilisation. This would be used to assess the suitability of the existing building and identify alternatives. Negotiations with the landlord would follow. Major criteria were staff retention, changes to commutes and accessibility to the M62.



The work by Expense Reduction Analysts helped us secure better accommodation, at reduced costs, without the disruption and expense of moving. We would not have achieved the same successful outcome without the professional support of David, Robert, and Paul & Andrew of the ERA Property Team.

MARK LOCKWOOD, FINANCE MANAGER
FREUDENBERG HOUSEHOLD PRODUCTS LTD T/A VILEDA

SIGNIFICANT 62% RENT SAVINGS WITH NO BUSINESS INTERRUPTION

The work commenced with a day on-site by Property Expert Andrew Pegg MRICS, to review the accommodation and interview the senior managers about their existing space and future requirements. The findings indicated that it would be possible to consolidate operations and provide the remodelled client-facing facilities within 50% of the existing building.

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David comments, “I was fortunate to be able to call upon Andrew’s expertise to review the rental documentation, however, it revealed that the existing lease was ‘protected’ by the Landlord & Tenant Act 1954. This meant that, whilst the business could apply to court for a new lease, any new application would have to be for all of the original space. Unless the business moved quickly, any new lease would be on the landlord’s terms.”

Following an open review of alternatives, partly to alert the landlord to the fact that Vileda was not encouraged by the landlord’s initial response, inspections of a number of properties were made and competitive proposals negotiated at provisional rents of under £8 per square foot.

David continues, “This enabled the ERA Property Team to benchmark the landlord’s aspirations. The preference was to stay to avoid disruption, but only if a new lease on the reduced space was guaranteed. Working closely with the client’s fit out contractor, UK Workspace, the ERA Property Team were able to advise the client that they could vacate, refit and hand back surplus space whilst in occupation thereby minimising disruption to business continuity.”

This meant it was possible to achieve a robust negotiating position that satisfied the clients’ needs and reduced the rent by 62% with 12 months’ rent free.

This has brought the rental cost to £8.00 per square foot over the first five years of the lease.

Significantly, ERA Property ensured that the new lease was within the provisions of the Act, keeping security of tenure at the next lease renewal and ensuring it covered only the space required. The overall cost saving helped fund the refurbishment and the disruption of relocation was avoided. Other cost benefits secured, included resolving dilapidations on a lump sum basis, simplifying the car parking and paying less in business rates.

Vileda Finance Director Mark Lockwood comments, “The approach of the Expense Reduction Analysts Property Team, through their strategic and determined approach helped deliver significant cost benefits for our UK operation.”

Vileda UK MD Peter Gough adds, “We faced a situation where, having downsized following the financial collapse, and coming to the end of our lease, we needed to determine future office provision for our business.

“Andrew and Paul have supported us in our strategic deliberations, during the negotiation phase with the landlord and finally in the execution of the project.

“We are very satisfied with the solution. We have used the change to motivate our employees at the same time as achieving significant savings in our office accommodation costs, with no business interruption.”

