



What should businesses be doing to manage their commercial property occupation during the **COVID-19** pandemic?



Parkinson Real Estate has been approached by a number of our existing and new clients to advise them on how best to manage their buildings, to reduce their **costs**, mitigate existing **liabilities** and robustly **prepare them** and **their buildings** for both **phased and full relaxing** of the lockdown measures imposed by the UK government.

Whilst all the advice that we provide is tailored to the individual client, Graham Bartlett, Director - Lease Advisory, discusses in detail below recommendations and measures to consider when protecting your business.

<p>Energy</p>	<p>Monetary savings on energy costs should be an immediate saving gain however this should be undertaken in a phased fashion and not just a matter of cutting or turning off. By running building services down more slowly the occupier will preserve the integrity of the plant and machinery to save on maintenance costs and aid in the restarting of normal business requirements. We are advising more and more clients on the use of remote technology to manage building automation systems and building management systems. This allows occupiers to remotely observe how the building is faring whilst also adhering to social distancing measures.</p>
<p>Building Operations</p>	<p>The most efficient way to bring your business back up to full speed is by running your operations and buildings at a lower capacity rather than a full shutdown.</p>
<p>New Property Acquisitions</p>	<p>We are seeing considerable delay with the acquisition of both leasehold and freehold properties for clients' businesses. Clients who were in the process of agreeing specification and lease terms, relevant dates for agreements to lease, completion of leases and purchases, fit out and construction programmes are finding it difficult to finalise such plans for a variety of reasons. Businesses should aim to remain flexible and build in contingency mitigation into their business and property planning. Businesses options are generally limited to staying within their existing premises for an extended period than originally planned. Early and clear communication is therefore key between landlord and tenant. On the whole we are seeing that landlords are agreeable to short term extensions or new leases. This is also a good time to reassess the terms under which the occupation of a new or existing business property have been agreed, as the market forces within a specific sector in which the business operates may have shifted along with the occupiers requirements.</p>

<p><b>Contractors</b></p>	<p>It is paramount that all businesses adhere to the most recent health and safety working guidelines. Government guidelines have impacted the construction sector and as such construction programmes have been extended. This impacts potential occupation and re-occupation of business premises in relation to initial fit out and any ongoing works. We have seen a slowdown and barriers within the supply chain that have significantly impacted construction works both onsite and offsite. Manufacturers are just starting to allow their workers back into work but will also be subject to social distancing measures. We have been involved with the programming of initial fit out, dilapidations and refurbishment work between clients and principal contractors. Clear communication between suppliers and subcontractors will be paramount and where available pre-orders being submitted to supply for the immediate restart of construction when allowed to do so.</p>
<p><b>Insurance</b></p>	<p>Both business premises and construction sites will require immediate action to comply with the terms of all insurance policies. As a minimum the building or site will need to be secured, protected and regularly inspected. In addition to this any works ongoing should be preserved and protected along with any raw materials. We are speaking to underwriters and brokers in relation to the existing insurance cover for a number of our clients be them lease advisory or management clients to confirm that policy requirements are being adhered to.</p>
<p><b>Dilapidations</b></p>	<p>Negotiations are still taking place between landlords and tenants' agents, however what is practical in terms of undertaking work in advance of a lease expiry during a lockdown, how easy is it to inspect said works and what will the impact be on the cost of the completion of those works? What happens if properties are not ready to move into or out of, who pays for the delays? What market are these properties going to find themselves in and how will that impact on dilapidations claims? Updating of dilapidation schedules with regular communication between landlord and tenants' agents is essential.</p>

<p><b>Emergency Property Requirements</b></p>	<p>Businesses will have unexpected business space requirements due to a number of reasons. Some businesses leases have expired and therefore require short term accommodation until their new lease can be completed. Home working has helped, however, explore flexible leases with accommodating landlords. On the whole landlords have been amenable to both tenants staying in occupation and agreeing short term extensions or new lease agreements.</p>
<p><b>Existing Occupational Costs and COVID-19 Funding Options</b></p>	<p>Businesses should be mindful of different types of property related issues as a result of the COVID-19 pandemic and the cashflow issues associated therewith. Managing business rates liabilities and reliefs is an immediate necessity along with maintenance and security to name a few. In addition, investigation as to the loans and grants available if not already done so is crucial.</p>
<p><b>Diversification</b></p>	<p>Businesses need to address potential diversification of their business property occupation as a result of these challenging times. Some businesses need to consider the diversification of their business more into areas such as industrial occupation for increased online sales and reduction in occupation for retail sales.</p>
<p><b>Landlord and Tenant Relations</b></p>	<p>Landlords should be diligent when any tenant requests are considered regarding the proposal and the longevity of businesses in occupation. Strategic advice is required in order for the landlord and tenant relationship to survive and thrive through the short and medium into longer term. Agreements can be negotiated in relation to rent holidays, rent free periods, reduced rentals, lease and rent reviews dependent on both tenant and landlord requirements.</p>

To conclude, **early and effective communication** as well as the uniting of all stakeholders is key in **mitigating the impact** to business and the journey to recovery.

We have been undertaking such measures for a variety of clients for many years, so are well positioned to carry this forward into what are unprecedented challenges. There are a numerous ways we can assist your business through these trying times and into the future and will also be happy to create a **bespoke plan** for your business.

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