

TWENTYTWO

# Advisory<sup>22</sup>

YOUR GUIDE  
TO LEASING  
PROPERTY

Get better  
commercial outcomes  
by taking control and  
using a better process

Advisory<sup>22</sup>  
actively  
supports  
businesses:

- Put in place robust processes
- Develop a strong hand in negotiation
- Secure outcomes that truly meets their business needs
- Protect their wider interests



Are you  
ready  
to take  
control?

1 Read and understand your existing lease

2 Ensure your brief matches your true business needs

3 Control the process and have the market come to you

4 Look at a wide range of options

5 Don't just create a lucky fit, do your due diligence

6 Protect your position with a Plan B

7 Create a position of strength

8 Structure the deal thoroughly

9 Develop an integrated delivery plan

# Advisory<sup>22</sup>

## An Overview

Engaging in property and real estate projects, including leasing, new development, acquisition and divestment, entails making significant and long term operational and capital expenditure decisions.

### Mitigating Risk

It pays to avoid pitfalls, minimise risk and get the best deal possible. That requires a much more thorough process to work through your property options than most businesses believe.

Many businesses are likely to focus on 'dollars per square metre' and a relationship with a commercial agent whose position is compromised because they are paid by the landlord. That focus and that relationship can cost you dearly. Instead, think of it this way...

### Maximising Opportunity

Think about property strategically. Procuring premises affords your organisation a key opportunity to align your premises to your business strategy and create positive change in your organisation – change in working practices, culture, brand, staff retention and performance.

Don't miss out on maximising the opportunity. A robust process that considers all these things – combined with a commercially astute deal negotiated for you by Advisory<sup>22</sup> – delivers a solution with the highest value outcome.

## STEP 1

# Understand your current commitments

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Before starting to consider alternative options, make sure you understand your current lease and any exit obligations

Understanding these provisions will help inform you on:

- » How much lead time you need to consider alternative premises/ complete any reinstatement works;
- » How much rental you can afford to pay in the future;
- » Whether the current premises could be considered as a potential long-term option, potentially with changes made by the landlord;
- » The total costs of exiting and leasing new premises.

## STEP 2

# Your Property/Premises Brief

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Developing a comprehensive, well thought out, robust brief will ensure you generate the best responses from the market that capture your underlying business needs

Before going out to look for space, think about what it is you really need. Leases are normally long-term, costly commitments so you need to get this right.

Think about the opportunities, challenges and issues facing your organisation and how you can use property to support these. This is where the 'gold' is. Here's a simple question you should be able to answer with confidence: do you really know how your ideal premises will positively affect every aspect of your business?

You should consider how property reflects on branding, image and profile, internal culture, working practices, as well as its ability to assimilate the latest technology.

Advisory<sup>22</sup> can help you through this process and give you the expert advice to get both the Brief and the market engagement right.

## STEP 3

# Going to market

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Create a situation whereby no one party controls the options and develop competitive tension to maximise your leverage

Armed with the robust Brief which describes precisely what you're seeking, it's time to start searching for premises.

You could do a search yourself or use the conventional route by calling a leasing broker however, we believe that immediately puts you in a weaker position. Brokers act for landlords. It's far better to get the market to come to you – and by that we mean both brokers AND landlords, giving you the control of the process.

Advisory<sup>22</sup> acts for tenants and occupiers. We are not conflicted and remunerated by landlord/developer. We are impartial and work in your best interests.

We design the market search process to ensure all options are explored. The obvious and less known. We create a tailored process to reflect the scale, nature of the requirements and the market conditions. This gives you an immediate edge.

## STEP 4

### Selecting a shortlist of options

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Start with a 'longlist' of options and work your way down to arrive at three or four options which you then want to 'enhance'

On a first cut, you may get many options to consider. That's good! Looking at a number of options at a high level helps you learn what you really value.

Reflect on the buildings you have visited and keep referring back to your Brief (remember, this is what you're looking for). You'll be able to see more easily which options should be rejected.

Your objective is to reach a shortlist of 2-3 properties in which you can put more time, energy and resources into considering.

## STEP 5

### Enhancing shortlisted options

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Once you've got your shortlist, it's time to 'enhance' your options to ensure that you are able to make the best decision

For each option you need a good understanding of the risks, issues, costs and opportunities. These factors can be very different across each option. This part of the process is often executed very poorly.

You need to arm yourself with all the relevant information needed to fully understand each of the options e.g. seismic, environmental or engineering reports, plans and specifications and programmes etc.

Once you have the information, you need to reconsider the options. An option which is lower in cost could have underlying risks or issues which may or may not be important to you. A property which is more costly on face terms may actually offer you good opportunities to reduce overall space and enhance your working practices, culture and corporate profile.

Getting each landlord to respond to any issues arising helps 'enhance' and improve the options and terms available.

## STEP 6

### Final options evaluation

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Once you have enhanced your shortlisted options, it's time to decide which options you want to advance

Before completing a final assessment, establish the criteria against which options are compared based on your Brief. For example: how important are location, views and natural light compared to the quality of building services or the shape of floor plates? What are the whole-of-life costs for the term of the lease? What incentives have been offered? Make sure these have been analysed correctly using Net Present Value (NPV) analysis and that you understand the implications of any incentives. Which risks are you not prepared to accept?

You should score options against each criteria and give more weight to the criteria that matter most.

Then you select the 2-3 highest ranking options to take forward for negotiation. You now have a sound basis to develop your business case and obtain approvals from the business to confidently go into commercial negotiations.

## STEP 7

# Negotiate Commercial & Lease Terms

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Having two viable options puts you in a position of strength and keeps everyone guessing

Taking more than one option through to negotiation allows you to enter into those negotiations on the remaining commercial terms from a position of strength and in greater control of the process.

Negotiation involves more than just the rent. It requires a comprehensive commercial and lease package to be agreed, benchmarked to market, and often includes landlord works and other obligations.

This requires the parties to concentrate on the detail and make sure their obligations are clearly articulated. Be very detailed and specific about the scope and quality of any upgrade works, the time of the works, liabilities and allocation of costs and form of documentation to be used.

Once negotiations are complete, you will be able to objectively compare the options and decide which one is best. This knowledge will feed into your business case and approvals.

## STEP 8

# Documentation

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Once you have made your decision, it's time to make sure the deal is thoroughly documented

Using a commercial 'term sheet' to capture all of the key terms, responsibilities and obligations ensures both parties are clear on what is being agreed. This also provides the basis to brief to your property lawyer

Depending on the scale of the transaction, its best for you and your team to lead the documentation, to help translate the term sheet into the legal documentation framework such as an Agreement to Lease or Development Agreement (for a more complex project) and a Lease.

Making sure each party is clear on its obligations and ensuring your liability and risk is limited to the greatest extent possible is the goal. Unresolved commercial issues or poor commercial and legal drafting may unnecessarily expose you to a cost, contingent liability or expense you had not anticipated.

The deal is likely to be conditional so the ATL should state these conditions and the time frames for closing them out.

## STEP 9

# Implementation

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The final stage is typically the design and construction of the fitout assuming there is no existing fitout in place. It's important to take the commercial deal and transform it into a work environment that achieves the original objectives. Think creatively about how you will use the space

This is the time to set up a comprehensive workplan to identify and integrate all the workstreams needed to successfully deliver. These involve both the physical delivery of the fitout and the internal workstreams to plan and communicate the decisions and journey.

TwentyTwo's Delivery<sup>22</sup> team can help mobilise and plan this phase including designing the workplan, helping establish governance and project planning, and appointing consultants like architects, engineers and project managers.

Equally TwentyTwo's Workplace<sup>22</sup> and Technology<sup>22</sup> teams can provide specific advice on the workplace strategy/fitout planning, the change and comms strategy and the technology needed. Getting all the workstreams set up and well planned in advance is critical to successfully delivering on the Brief.

Also remember to monitor the landlord works and related programme as set out in the Agreement to Lease. Meeting their contractual obligations is essential and will impact on your fitout and implementation plan.

Transitioning staff to a new location offers a massive opportunity to leverage changes in culture and working practice. Developing a change and communication plan is essential.



# TWENTYTWO

## STRATEGY<sup>22</sup>

Aligning property/real estate with strategic intent

## WORKPLACE<sup>22</sup>

Optimising the workplace to support high performance

## INVEST<sup>22</sup>

Infusing strategic acumen and commercial acuity into investment decisions

## ADVISORY<sup>22</sup>

Applying expert commercial acuity to real estate projects and transactions

## TECHNOLOGY<sup>22</sup>

Integrating building and workplace technology with business and property projects

## DELIVERY<sup>22</sup>

Establishing governance, teams and processes and providing leadership to ensure project success

## PORTFOLIO<sup>22</sup>

Partnering as a trusted outsourced property and lease management provider

## ASSURANCE<sup>22</sup>

Improving the performance of property programmes, projects and in-house teams

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