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House prices continue downward trend

House prices are still on the decline and expectations are that they will continue to fall in light of the ongoing economic uncertainty, according to the latest RICS UK Housing Market Survey (August 2011).

As new buyer enquiries were down and new vendor instructions remained flat, the general consensus is that the main brake on activity in the UK housing sector is the uncertain economic outlook.

Surveyors reported that the stock on their books fell by 4.6% in August – with anecdotal evidence suggesting that people were taking their properties off the market until the autumn.

UK firms show appetite for acquisition

The ONS Statistical Bulletin covering mergers and acquisitions (with a value of more than £1 million) in quarter two of 2011 suggests that despite the poor economic outlook UK firms are maintaining a healthy interest in growth by acquisition.

Although expenditure by UK businesses on acquisitions abroad almost halved to £10.2 billion, from the £20.7 billion registered in Q1, this was the second highest value reported since the first quarter of 2008. Furthermore, spending on other UK operators rose from £1.3 billion in Q1 to £2.2 billion.

New construction orders fall

Orders for new construction work fell dramatically in the second quarter of the year according to the latest figures from the Construction Products Association and are now at a level not seen since 1980.

Orders fell by over 16% compared with an already low figure in quarter one and are over 23% down on the same quarter in 2010.

Public sector orders fell 30% and new orders for private sector construction was down 8% on the first quarter of the year and 10% down on the same quarter last year. Within this new orders for private housing fell again (down 8% on the first three months of the year).

Tenants gain the upper hand in lease negotiations

The landlord and tenant relationship can be a difficult balance at the best of times and right now property market conditions mean that more and more tenants are seizing the opportunity to enter into lease negotiations from a position of strength. Not only are they demanding shorter leases and negotiating hard over the rent, but they are also insisting on having a schedule of condition conducted as a prerequisite for taking on the lease.

Managing director John Woodhall says Wakemans is seeing a significant increase in instructions to conduct schedules of condition on offices and industrial units, as prospective occupiers seek to protect themselves from having to pay out major sums in dilapidations at the end of the term.

It is very easy for tenants to run into difficulty when they look to reduce their overheads by moving to smaller and/or better premises with more favourable rents and terms if they do not appreciate the full implications and cost involved. However, tenants who understand the way the market has changed during this prolonged period of low economic growth are seeking professional advice to benchmark the condition of the building at the beginning of the lease in order to negotiate the best deal.

A schedule of condition identifies any existing defects and the cost involved in repairing them and, armed with this information, tenants are successfully managing to limit the repairing liability. Instead of accepting the traditional full repairing and insuring lease, which would make them liable for remedial work, including external structural repairs, they are agreeing to leave the building in a condition which is no worse than when they took occupancy.

In the current climate landlords may not be paying such close attention to routine maintenance and, as a result, dilapidations could prove extensive and very costly. It is therefore no surprise that savvy tenants consider a schedule of condition as a good investment when it is proving to be an extremely valuable bargaining tool.

Travelodge takes a fresh approach to maintenance

Maintaining properties in good order can be a headache because it is often an area that is difficult to manage, especially if numerous suppliers are involved. Businesses with a portfolio of properties may be interested in taking a leaf out of Travelodge's book – the UK's fastest growing hotel chain decided the solution to its maintenance issues lay in employing its own handymen directly and has been able to increase efficiency and add value to its estate.

Travelodge realised that halving the amount of time spent on maintenance jobs would, in turn, lead to increased revenue, because rooms would become available that much quicker. Wakemans worked with the Travelodge team and managed the process to help create an innovative in-house direct maintenance programme which achieves results by working smarter, not harder.

All areas were considered in great detail, from the recruitment process to the logistics element of the new initiative, which included selecting and procuring the fleet of vans, organising signwriting and the installation of racking, implementing contracts for stock and spare parts, sourcing uniforms and producing a handbook for each operative.

The IT infrastructure was key to the initiative's success. Making extensive use of modern technology, it includes a scheduling system and PDAs, which are integrated with Travelodge's help desk and reporting systems so that the workmen are able to pick up jobs by email, while supervisors can sign them off via the latest smart phones. A KPI daily reporting system determines productivity and this, along with workflow systems plus stock control and stock replacement processes, enables Travelodge to review performance and implement solutions to

generic issues across the board.

Bringing its essential reactive maintenance function in house has enabled Travelodge to achieve an improvement in operating efficiencies as well as the reduction in costs it had targeted.



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Planning reform essential to boost construction

Wakemans director Adrian Aston reflects on the debate over the reform of the planning system.

The debate about the overhaul of the planning system has raged all summer, with the closing date for policy consultation now upon us (17/10) the reforms are now with the government.

When the National Planning Policy Framework (NPPF) was published it provoked much criticism from many quarters. The Government came in for a barrage of criticism from many campaign groups, particularly the National Trust. The main concern of the NT and other such groups is that the planning system will only exist to promote economic development at the expense of preserving green belt.

There has recently been a more conciliatory tone and a pledge from the planning minister, Greg Clark, to take on board the views and concerns expressed as part of the governments response.

Specific areas to be addressed will be what the definition of "sustainable development" is and the use of brownfield sites.

For those in the industry there is no doubt that reform is needed and essential to help reverse the trend of stagnate growth. The planning system has always been inefficient, too complicated and too costly but in recent years the situation has become much worse. Even government ministers have admitted that the current system is expensive, wasteful and is putting a brake on growth.

The economic recession has hit planning departments as well as the private sector and the introduction of charges to hold pre- planning meetings, is just one additional cost. The number of reports and surveys which are now required to be submitted as part of a planning application has also increased significantly. Developers have to cover the costs of reporting on more and more environmental issues and on some issues that would previously been available before from the statutory authorities.

The problems exist for all schemes whether they are large or small. It is not uncommon for a major development to cost in excess of £300,000 to gain planning and the process can take years.



At the other end of the scale SME businesses that are experiencing the planning system just once are also finding it a difficult process.

Recent statistics from a FSB 'Voice of Small Business' survey panel showed that more than half of small businesses of the 1,700 small firms responding to survey found planning applications overly complex and two fifths find the process far too costly.

Clearly these results show that small businesses, the engine of any recovery, are deterred from investing time and money into expanding because of the concern about having to go through

a drawn-out, complicated planning application.

Let us hope that the government response does lead us to a simpler, easier to use, cost effective and efficient system that will assist rather than hinder developers.



Photo directly above - Left to right: James Shelley, Sandeep Sunner, David Vice, Steve Howard.

Top right photo - Nigel Himpson.

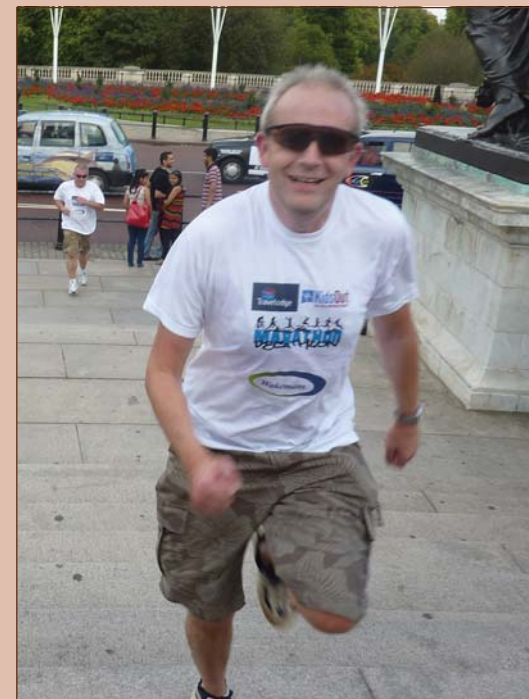
Bottom right photo - Travelodge Team including Nigel Himpson and Shaun Baugh far right.

£80,000 raised for children's charities

Wakemans recently took part in two very different charity events and helped raise £80,000 for children's charities.

Directors Shaun Baugh and Nigel Himpson took part in the Marathon Decathlon an Olympic-themed endurance event organised by budget hotel chain Travelodge. All monies raised from this event will go to KidsOut, the only charity in the UK dedicated to bringing fun into the lives of disadvantaged and disabled children to give them a more positive outlook on life.

Meanwhile, James Shelley, Adrian Cartwright, David Vice and Sandeep Sunner joined people of all ages and abilities for the Five for Fifty Run in Cannon Hill Park. This event was organised by leading national legal firm Gateley and raised £30,000 in aid of the Foundation for Conductive Education.



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- Directors Adrian R. Aston
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Shaun M. Baugh
Dean M. Watson
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