Reducing the 'Risk Element'

Shopping centre in south east England

Workman Retail recently assisted a major client in the purchase of a 100,000 Sq. Ft. shopping centre in the South East of England. In fact this acquisition is so recent that for professional reasons we're not going to mention any names. Our role was to review arrears, tenant payment histories, service charge, commercialisation, service contracts and health & safety in order to conduct full property management due diligence. As a result we identified numerous payment plans in place that hadn't been disclosed, tenants who'd not been demanded or had been charged the wrong amount. It also became clear that tenants weren't paying their rents on time, creating a potential cash flow problem.

> *"our client obtained indemnity from the vendor"*

It transpired that the service charge was unrealistically low and the property was not being maintained adequately. A review of service charges showed some tenants being charged for services they weren't liable for and that these costs would become a client non-recoverable. So, our client obtained indemnity from the vendor for any past or future liabilities as a result of these findings. They were also able to adjust their cash flow projections and valuation for the additional non-recoverable and capped elements.

Furthermore, the Health & Safety review identified out of date documentation and risks that had not been dealt with. As a major property company, the 'Risk Element' is a high profile area for our client. Following the completion of the Pre-Purchase Due Diligence our client completed on the purchase at a significantly reduced cost – partly as a direct result of the issues and challenges we'd helped our client identify.

> *"client completed on the purchase at a significantly reduced cost"*

SUMMARY:

Challenge — identify potential and existing issues prior to a purchase

Action — conducted full property management due diligence

Result — identified numerous challenges, contributing to a significant reduction in purchase cost to client

To find out how we can help you please contact Julian Bates on 020 7227 6205 or email him at julian.bates@workman.co.uk

Or for more info please visit workman.co.uk

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