

The world of work after coronavirus in the UK: to downsize or not to downsize? – that is the question

05 MAY 2020

CATEGORY:
ARTICLE



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As countries all around the World contemplate easing lockdown measures, people's thoughts are turning to what the world of work will look like in the 'new normal'.

In particular, businesses that have had to embrace remote working are considering how much space they will need in the future.

A recent survey by Challenger, Gray & Christmas Inc of more than 300 HR executives from 23 industries across the US suggested than half will let employees have the option of working remotely.

On the face of it, this would suggest that a lot of businesses will require less office space going forward.

As property costs are one of the higher fixed costs for most businesses, any space saving will give a material boost to the bottom line. This is therefore a key factor in business planning as we head into a recessionary economy.

However, the same survey suggested that 86% of businesses will maintain social distancing protocols and so businesses with denser patterns of occupation (such as tech firms) may find that they actually need more space in order to provide additional personal space in order to encourage a return to the office.

This post Covid-19 decrease in the number of people that a working space can accommodate is demonstrated by WeWork's recent announcement that it is to make common areas less crowded by reducing the number of members who can sit at shared tables and limiting booth capacity to one person. They also plan to modify shared spaces with staggered seating and buffer zones.

Despite the potential reconfiguration of office space, it is still likely that businesses that previously had no or limited remote working will have surplus space or space that no longer suits their business.

So, if you want to downsize your space, what can you do?

- If you are in serviced office accommodation, then look to take less space once your current agreement expires. Also speak with your operator to see if they are implementing proposals similar to WeWork's.
- If you have a lease, consider exercising any break option you may have. Note that there are current issues in delivering 'vacant possession' on the break date which is usually a pre-requisite of exercising a break option.
- If you don't have a break option soon, re-gear/renegotiate – i.e. do a deal with your landlord by either:
 - agreeing to surrender part/move to smaller space owned by same landlord – this is likely to be difficult and very expensive in the current climate as the landlord will probably have to cover a lengthy void period plus a rent-free for any replacement tenant.
 - agreeing to downsize as part of a re-gear, but locking into a longer term and/or a higher headline rent.
- Or you could look to assign your lease – that is likely to take time and require payment of a sizeable premium to the assignee to take account of market circumstances and your accrued dilapidations liability.

- Or underlet the whole or part of your premises (if your lease permits) – you will face the same issues as on assignment. In the current climate you may not be able to achieve a rent as high as the rent that you pay and you may need to grant rent-free or equivalent incentives.
- Or share space with a group company.
- Or share space on an informal licence basis with a third party – albeit this is likely to breach the terms of your lease and there is a risk of forfeiture or injunctive action by your landlord.
- Or take space with flexible operators allowing you to increase or decrease your space requirements on 3/6/9/12 monthly cycles.

There will be practical and marketing considerations as well as legal ones to be taken into account when weighing up these options. We can help you make the right choices, clarifying your options and where appropriate introducing you to agents who can advise you on the realistic prospects of disposing of space or renegotiating the terms of your lease.


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