

# Finance and Resources Committee

10.00am, Thursday, 29 October 2020

## Sirius Building, Clocktower, Edinburgh – Proposed New Lease

Executive/routine	Routine
Wards	3 – Drum Brae/Gyle
Council Commitments	<u>2</u>

### 1. Recommendations

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- 1.1 That Committee approves a five-year lease to Pulsant Limited at the Sirius Building, Clocktower, Edinburgh, on the terms outlined in this report and on other terms and conditions to be agreed by the Executive Director of Resources.

**Stephen S. Moir**

Executive Director of Resources

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# Report

## Sirius Building, Clocktower, Edinburgh – Proposed New Lease

### 2. Executive Summary

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- 2.1 The Sirius building is let to KUC Properties on a 20-year lease expiring on 13 January 2021. The building is, in part, sub-let to with Pulsant Limited occupying most of the space. This report seeks approval to grant Pulsant Limited a new five-year lease, on the expiry of the lease to KUC properties on the terms and conditions outlined in the report.

### 3. Background

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- 3.1 The office building known as Sirius at Clocktower, Flassches Yard, Edinburgh extends to 1,679 sq m (18,070 sq ft) as shown outlined in red on the attached plan.
- 3.2 The entire property is leased to KUC Properties (KUC) on a 20-year lease expiring on 13 Jan 2021 at a passing rent of £357,211 per annum. The building was part of a much larger portfolio acquired from the EDI Group in 2010. While taking a 20-year lease, KUC never actually occupied the building due a change in their business plan after the lease was signed. Hence the building has been sublet by KUC since 2001.
- 3.3 The rent on commencement of the lease has proved to be overrented. While there has been 3 rent review since 2001, the initial rent is, and continues to be, above market value. As the rent review clause provides for upward only movement, the rent has remained the same throughout the duration of the lease.
- 3.4 KUC Properties sub-lease part of Sirius to three occupiers, the largest of which is Pulsant Limited who occupy 1,317 sq m (14,174 sq ft) on ground, first and part second floor. The sub lease is due to expire on the same date as the head lease to KUC.
- 3.5 Discussions have taken place with Pulsant Limited in order to retain the company as a direct tenant of the Council in the building beyond the expiry of the head lease and sub lease agreements.

## 4. Main report

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4.1 It has been known for some time that the existing lease to KUC was over rented and the strategy moving forward has been to address the risks of potentially having a vacant office building in early 2021, with associated void costs, and mitigate the future budget pressure due to the reduction in rent once a new tenant was secured.

4.2 The following terms have been provisionally agreed:

- Subjects Ground, first and part second floors at Sirius Building, Clocktower, Edinburgh extending to 14,174 sq ft;
- Tenant: Pulsant Limited;
- Lease: 5-year lease from 14 Jan 2021 to 13 Jan 2026;
- Rent: £196,080 per annum;
- Break Option: Tenant break 14 Jan 2023 on providing 6-month notice.
- Use: Office;
- Repairs: Full repairing and maintaining obligation;
- Other Terms: As contained in the Council's standard full repairing and insuring lease;
- Costs: Both parties to meet own costs.

4.3 A rental incentive equivalent to nine-months rent free will be granted, which is in line with current rental incentives for an office lease of five years. Consequently, the rent will be £49,020 from 14 Jan 2021 to 13 Jan 2022 before increasing to £196,080 from 14 Jan 2022. Should the tenant exercise their break option the equivalent of three-months' rent free (£49,020) will be repayable to the Council.

4.4 Although the proposed rental to Pulsant Limited is at a lower rate than that currently being paid on the property it is reflective of current market values. Estates Officers have contacted the other occupiers within the building with a view to securing their continued occupation beyond the expiry of the lease thereby mitigating holding costs and budget pressures and these discussions are ongoing.

## 5. Next Steps

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5.1 Following Committee approval, Legal Services will be instructed to progress the lease documentation.

## **6. Financial impact**

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- 6.1 A rent of £196,080 per annum, subject to incentives, to the General Property Account will be secured for a 5-year period (subject to break option in 2023). With the new lease commencing immediately following the expiry of the current lease there will be no void period providing a substantial saving to the Council on vacant property costs for the majority of the building.

## **7. Stakeholder/Community Impact**

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- 7.1 Ward members have been made aware of the recommendations of the report.

## **8. Background reading/external references**

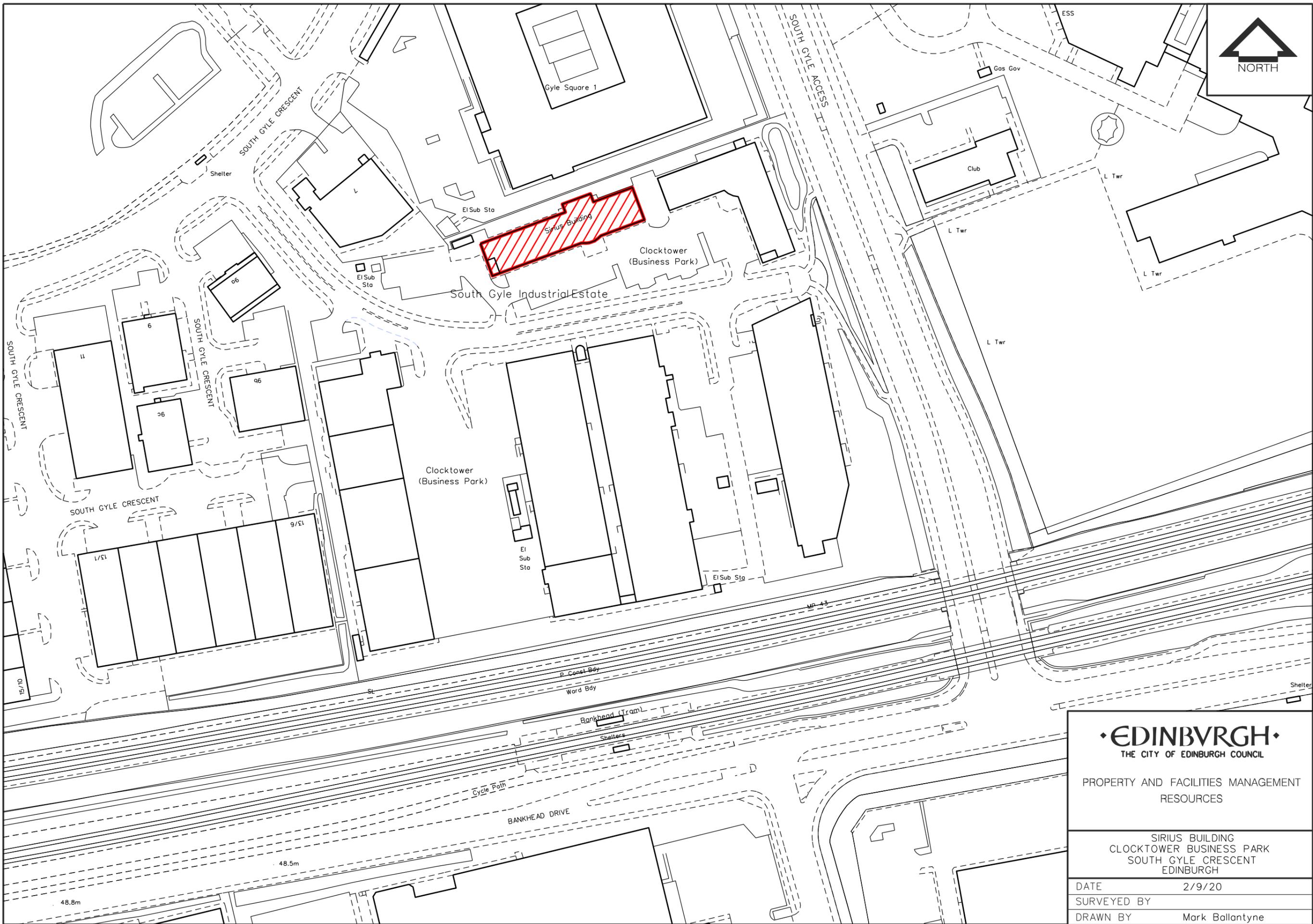
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- 8.1 N/A.

## **9. Appendices**

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- 9.1 Appendix 1 – Location Plan



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PROPERTY AND FACILITIES MANAGEMENT RESOURCES	
SIRIUS BUILDING CLOCKTOWER BUSINESS PARK SOUTH GYLE CRESCENT EDINBURGH	
DATE	2/9/20
SURVEYED BY	
DRAWN BY	Mark Ballantyne
SCALE	1:1250 @ A3 SIZE
NEG. NO.	A3/1941b

SITE PLAN

SCALE 1:1250

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