



**Lambert  
Smith  
Hampton**

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## **Heads of Terms Proposal**

Between

**Landlord: Bruntwood Limited**

and

**Tenant : The Secretary of State for  
Communities  
and Local Government (on  
behalf of OFWAT)**

### **The Property:**

**Floors 17, 18, 19, 20  
Centre City Tower  
7 Hill Street  
Birmingham  
B5 4UA**

**SECTION 1 – TRANSACTION DETAILS**

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**Overview:** The proposal is for OFWAT to surrender their existing occupational leases for floors 17,18,19 & 20 with effect from 24<sup>th</sup> June 2015.

OFWAT will enter into two new leases, one for the 17<sup>th</sup> floor and one for the 18<sup>th</sup> floor, commencing 24<sup>th</sup> June 2015 on the terms set out in this document, subject to completion of refurbishment of these floors.

This will be facilitated by an Agreement to Lease setting out the following:-

- OFWAT to vacate floors 17 & 18 and decant into the 19<sup>th</sup> & 20<sup>th</sup> floors no later than 28<sup>th</sup> February 2015 for a maximum of 3 months to allow Bruntwood to undertake the Refurbishment Works.
- Bruntwood to undertake a comprehensive Cat 'A' refurbishment to a pre-agreed specification (similar to floor 7) which will include all common areas to the same standard as floor 7, including new W.C's and shower room.
- The refurbished office accommodation will include, secondary glazing, enhanced internal insulation, raised floors (where required) new HVAC (air conditioning) and new finishes throughout.
- As part of the refurbishment, Bruntwood will undertake the Cat 'B' fit out to OFWAT's agreed specification. Any cost savings from retaining existing elements of OFWAT's fit out (partitioning & air con units etc) will be passed directly onto OFWAT.
- OFWAT are to pay a 10% project management fee in respect of the CAT B works only.
- OFWAT to continue to liaise with Bruntwood's Architect to finalise and cost the Cat 'B' works by 20<sup>th</sup> Dec 2015.
- Bruntwood are to aim to complete the refurbishment works by 1<sup>st</sup> May 2015 and to supply a certificate and invoice as at 31<sup>st</sup> March 2015 for the percentage of completed work at that date.
- OFWAT anticipate that at least 60% of the cost of the Refurbishment Works will be completed by 31<sup>st</sup> March 2015.
- On completion of the works, all existing leases will be surrendered (no later than 24<sup>th</sup> June 2015) and a new lease of 17<sup>th</sup> and 18<sup>th</sup> floors entered into on the following terms:-



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**Surrender Payment** OFWAT to pay Bruntwood a surrender premium in the sum of **£674,000 + VAT**. This is for a complete and final surrender of the existing lease liabilities including the dilapidations liability.

**17<sup>th</sup> Floor Lease**

**Demise:** 17<sup>th</sup> Floor, Centre City Tower, 7 Hill St, Birmingham.

**Term:** 24<sup>th</sup> June 2015 to 7<sup>th</sup> November 2022. (7 years 4 months)

**Rent:** **£130,778 pa (£17.50 per sq.ft.)**

**Incentives:** 12 months rent free incentive from 25<sup>th</sup> June 2015

**Tenant Break Date:** 17<sup>th</sup> Floor : 7<sup>th</sup> November 2021 - No break payment

**Break Conditions:** The Tenant is to provide 6 months prior written notice. The break clause is to be conditional upon payment of rent up to but not beyond the break date and on OFWAT giving up occupation by the break date.

In addition, any payment of rent, service charge, insurance or any other payment made to the landlord for any period of occupation beyond the break date, is to be re-imbursed to the tenant within **8 weeks** of the break date.

**18<sup>th</sup> Floor Lease**

**Demise:** 18<sup>th</sup> Floor, Centre City Tower, 7 Hill St, Birmingham.

**Term:** 24<sup>th</sup> June 2015 to 7<sup>th</sup> November 2022. (7 years 4 months)

**Rent:** **£130,778 pa (£17.50 per sq.ft.)**

**Incentives:** 1 month rent free incentive effective from 25<sup>th</sup> June 2015

**Break Dates:** The Tenant will be able to terminate the lease on the following dates:  
18<sup>th</sup> Floor : 7<sup>th</sup> November 2018 - **£100,000** break payment  
18<sup>th</sup> Floor : 7<sup>th</sup> November 2021 - No break payment

**Break Conditions** The Tenant is to provide 6 months prior written notice on exercising the break option and will pay the break payment in connection with the November 2018 break on or before 6<sup>th</sup> November 2018.



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Both leases – remaining terms identical

Break Conditions	The break clause is to be conditional upon payment of any break penalty before the relevant Break Date and payment of rent up to but not beyond the break date and on giving up occupation by the break date. In addition, any payment of rent, service charge, insurance or any other payment made to the landlord for any period of occupation beyond the break date, is to be reimbursed to the tenant within <b>8 weeks</b> of the break date.
Rates and Outgoings:	As per the existing lease, the Tenant will be responsible for the payment of business rates and any other statutory outgoings as a result of its occupation of the Demised Premises.
Rent Review:	There is to be a rent review in the 5 <sup>th</sup> year of the term to the higher of either the current passing rent or the open market rental value.
User:	Open for any use within Class B1 and as per the existing lease.
Alterations:	The Tenant will be permitted to undertake non-structural, internal alterations without formal consent. Any other form of alteration will require formal consent from the Landlord.
Alienation:	The tenant will be permitted to assign the whole lease comprising 17 <sup>th</sup> & 18 <sup>th</sup> floors or otherwise sub-let in whole or in part (maximum of two sub-lettings per floor), subject to Landlord's consent, which is not to be unreasonably withheld.
Crown Sharing	The lease is also to contain the latest Crown sharing provision enabling the tenant to share all or part of the space with another Government body, without the need for Landlord consent.
Car Parking:	OFWAT to take 5 car spaces by way of separate licence agreement from Bruntwood. The cost is as follows:- From 25 June 2015 to 24 June 2017 = £450 per space per annum From 25 June 2017 to lease expiry = £1,500 per space per annum
Other Terms:	All other terms of the new lease are to reflect Bruntwood's standard lease terms.
Legal Costs:	Each party will bear their own legal costs incurred in relation to this transaction.
Conditions:	Subject to Contract. Subject to formal approval.
VAT:	All prices are quoted exclusive of, but subject to, VAT in addition.



**SECTION 2 – THE PARTIES**

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**Lessor:** Bruntwood Limited  
City Tower  
Piccadilly Plaza  
Manchester  
M1 4BT

Contact: [REDACTED] Birmingham  
Tel: [REDACTED]  
Email: [REDACTED]

**Lessor's Solicitor:** TBC  
Contact:  
Tel:  
Email:

**Lessee:** The Secretary of State for Communities & Local Government  
(on behalf of OWFAT)  
Centre City Tower  
7 Hill Street  
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B5 4UA

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**Lessee's Solicitor:** Higgs & Sons  
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