



## **Sample Critical Analysis 1**

### **Property Management**

#### **Background**

You manage a block of property / retail warehouse Park / retail parade / single let property on behalf of a client and the tenant has accumulated arrears. There has been a suggestion that they cannot afford the rent and MAY have requested a rent reduction.

#### **Aims & Objectives**

- i) To ensure that there is a continual income stream from the property
- ii) To maintain and enhance (if possible) the investment value of the property
- iii) To minimise the void costs (rates, service charge, insurance) associated with a vacant property.

(possible other aims & objectives include the recovery of all arrears accumulated / maintain good landlord & tenant relationships)

#### **Key Issues**

- i) The **covenant / financial position** of the tenant. Have you checked their accounts? Are they struggling or is it a 'try on'. Could they live with a rent reduction / payment plan or are they still going to struggle?
- ii) **Valuation** – is the property rack rented / reversionary / overrented. Make sure you include your inspection and measurement. On what basis did you measure? Comparable evidence in a schedule as part of the appendices
- iii) **Demand** – what is the market like? If you take the property back what are the chances of re-letting it? Are you going to have to give incentives? Refer back to aim 3 – you wouldn't take it back unless you had a 'back to back'

#### **Options**

- i) Do nothing – collect the rent and wait for them to go into administration and then deal with the administrators.

Reasons for rejection.....

- ii) Agree a payment plan – how long for? What would the impact be on other tenants – would they ask for the same thing?

Reasons for rejection.....

- iii) Accept a surrender from the tenant and tear the lease up.

Reasons for rejection.....You would only do this if you had a good chance of re-letting preferably on a back to back basis. Have a look at the ERV – if its over-rented then this is a reason to reject this option

(possible other options are to allow the tenant to remain in occupation and pursue guarantors for outstanding amounts under the terms of an AGA)

### **Proposed solution**

State here what the proposed solution and WHY? Always be able to justify the decision making process.

Explain if there was any negotiation

### **Reflective Analysis**

Look at the 3 / 4 aims and objectives. Did you achieve what you set out to do?

### **Critical Appraisal**

Critically appraise your work. What worked well and what didn't work well? What could you have done differently? What have you LEARNT from undertaking this instruction?

What competencies have you achieved?

