Office Lease Options Appraisal Model

Free demo — a worked case from start to finish

This document shows what the model produces. It is not the model. The Excel workbook, a fully populated worked example and the user guides in English and Traditional Chinese are the paid download.

The situation

A professional services firm on the edge of the City of London. One floor, 7,400 square feet, 88 people. The lease expires on 31 March 2028 and is contracted out, so occupation ends at expiry unless new terms are agreed.

Today is 1 September 2026. The board has asked what happens when the lease ends. Four proposals have arrived from the agent. Nobody has an answer.

The plan is to reach 120 people within three years.

Step one — what do we actually need?

Before looking at a single proposal.

Headcount is entered year by year from the firm's own plan, not as a growth rate. Desk-sharing is set at 1.5 people per desk, with five permanently allocated desks. Area per work setting uses the British Council for Offices figure of ten square metres, and a 200 square foot server room is added separately.

Desks required at peak	**82**
Area required	**9,023 sq ft**
Months to the binding decision	18
Months available after approval time and contingency	**12**
Capital available in any single year	£900,000

And one line nobody had considered:

Review should have started 5 months ago. Options needing more than 12 months are no longer available.

That appears before any option has been entered. It tells the firm which categories of option are still genuinely open.

Step two — what does staying put actually cost?

The current building, assembled on the same cost pool every option is measured on: rent, service charge, business rates, utilities, out-of-hours air conditioning, FM contracts, insurance and parking.

Total annual occupancy cost	**£640,900**
Cost per square foot	£86.61
Cost per desk	£8,661
Cost per head, at 88 people	£7,283
Rent as a share of the total	**51.96%**

Everyone in the building had been discussing a rent of £45 per square foot. That was slightly over half the picture. Business rates alone were £152,600 — a quarter of the total, appearing in no lease and in no agent's proposal.

The capacity test runs immediately:

> **Fail — provides 74 desks, 82 required (short 8)**

The current building is already too small for the plan. That is not a cost problem, and no negotiation on rent will fix it.

Step three — the options, and the four gates

Four proposals arrived. The firm added a fifth.

Option	Area	Desks	Lead time
Renew in place	7,400	74	6 months
Take adjoining floor	10,000	100	9 months
Relocate, Cat A	9,000	96	15 months
Relocate and consolidate	10,600	112	18 months
Serviced office	—	100	2 months

The two relocations carry the headline incentives: twelve and fifteen months rent-free, and landlord contributions of £405,000 and £477,000. Both trigger the dilapidations liability, because both mean leaving. The other two do not.

Every option is now tested against the requirement, before any of them is priced.

Option	Renew in place	Take adjoining floor	Relocate, Cat A	Relocate and consolidate	Serviced office, 100 desks
Type	*Renew*	*Regear - resize*	*Relocate - Cat A*	*Consolidate*	*Flexible*
Capacity	Fail	Pass	Pass	Pass	Pass
Lead time	Pass	Pass	Fail	Fail	Pass
Capital	Pass	Pass	Fail	Fail	Pass
Commitment	Pass	Pass	Pass	Pass	Pass
Status	**Fail**	**Pass**	**Fail**	**Fail**	**Pass**

Three of five fail, and none of them on price.

For every failed gate the model states what would have to change:

Renew in place — Peak headcount would need to fall to 108, or the ratio to relax to 1.67

Relocate, Cat A — Would have needed to start by June 2026, no longer available. Capital ceiling would need to rise to £1,335,217, or the landlord contribution to increase by £435,217.

Relocate and consolidate — Would have needed to start by March 2026, no longer available.

The renewal's failure is negotiable in principle: it is a conversation about how the firm works. The two relocations' timing failures are not conversations with anybody. The option the agent was pushing hardest had already expired five months before anyone looked at it.

Step four — cost, for the two that passed

Annual recurring - stabilised run-rate		891,400			1,020,000	
Cost per desk per year		8,914			10,200	
Cost per head per year		**7,428**			**8,500**	
Cost per area unit per year		89.14			127.50	
NPV over planning horizon		2,632,022			3,286,991	
Peak capital in any single year		379,000			278,000	
Extra capital vs the cheapest-capital option		101,000			-	
Annual saving against it		128,600			-	
Months to recover the extra capital	9.4				lowest capital	
Year 1 cash requirement	**733,750**	**1,030,400**	**1,749,417**	**2,100,225**	**1,298,000**	

Taking the adjoining floor costs £101,000 more in capital and saves £128,600 a year. It recovers the difference in 9.4 months, and is £655,000 better over the three-year planning horizon.

Note that two different figures are reported and they answer different questions. The **stabilised run-rate** is what the building costs in a normal year, once incentives have run off — the basis for comparison. The **Year 1 cash requirement** is what must be funded in the first twelve months, capital included. A long rent-free period can make an expensive option the easiest one to start, and a board needs both numbers.

Step five — the question that changes the answer

The base case assumes the plan happens. The most common way a property decision goes wrong is that it does not.

One switch re-runs every gate and every cost at minus twenty per cent headcount. Peak headcount falls from 120 to 96; the requirement falls from 82 desks to 66.

Option	**Renew in place**	**Take adjoining floor**	**Relocate, Cat A**	**Relocate and consolidate**	**Serviced office, 100 desks**
Type	*Renew*	*Regear - resize*	*Relocate - Cat A*	*Consolidate*	*Flexible*
Capacity	**Pass**	**Pass**	**Pass**	**Pass**	**Pass**
Lead time	**Pass**	**Pass**	**Fail**	**Fail**	**Pass**
Capital	**Pass**	**Pass**	**Fail**	**Fail**	**Pass**
Commitment	**Pass**	**Pass**	**Pass**	**Pass**	**Pass**
Status	**Pass**	**Pass**	**Fail**	**Fail**	**Pass**
Annual recurring - stabilised run-rate	655,700	891,400			1,020,000
Cost per desk per year	8,861	8,914			10,200
Cost per head per year	**6,830**	**9,285**			**10,625**
Cost per area unit per year	88.61	89.14			127.50
NPV over planning horizon	1,909,729	2,632,022			3,286,991
Peak capital in any single year	165,000	379,000			278,000
Extra capital vs the cheapest-capital option	-	214,000			113,000
Annual saving against it	-	(235,700)			(364,300)
Months to recover the extra capital	lowest capital	no saving			no saving
Year 1 cash requirement	**733,750**	**1,030,400**	**1,749,417**	**2,100,225**	**1,298,000**

The renewal that failed on capacity is now the cheapest option by a wide margin — £6,830 per head against £9,285 for the adjoining floor and £10,625 for the serviced office. Over three years its net present value is £1,909,729 against £2,632,022, a difference of £722,293 on the same set of proposals.

Note what did not change. The adjoining floor's run-rate is £891,400 in both scenarios. The building costs what it costs. What changed is the denominator: at 96 people the same rent, rates, service charge and FM contracts are carried across a quarter fewer heads.

That asymmetry is the point. Taking too little space is a problem you can solve — uncomfortably, expensively, but you can solve it. Taking too much is a problem you pay for every month until the break.

What the board actually discussed

Three questions, and the answers the model supplied.

“Which one does the agent recommend?” The Cat A relocation. It has the lowest effective rent per square foot, because of twelve months free and a £405,000 contribution. It needs £1,335,217 of capital against a ceiling of £900,000, and it would have had to start in June.

“Why not just stay where we are?” Staying caps the firm at 108 people. The plan reaches 120 in year three. Renewal is also the option that defers the £190,000 dilapidations liability rather than removing it.

“So which one?” The adjoining floor — provided we reach 120 people. If we do not, renewing is materially cheaper. That is the question to settle.

The board spent forty minutes on that question. It spent none on arithmetic.

What is in the paid download

The blank template. 1,056 formulas, explicit handling of blank inputs, no hidden error suppression. Up to six options, four gates, a full occupancy cost pool of ten recurring lines and eleven one-off lines, gross-to-net area conversion, and a one-page summary formatted for an approval paper.

The worked example above, fully populated and unlocked, so every figure in this document can be traced and changed.

A 25-page user guide in English, and the same guide in Traditional Chinese, localised rather than translated. Not a software manual — an anti-ambush guide for finance directors covering the four most expensive mistakes in a lease appraisal: VAT basis mismatches, transaction tax traps, run-rate against first-year cash, and what “all-inclusive” excludes in a flexible office.

Built for the UK, Hong Kong, Singapore and New York, with each market’s measurement and cost conventions set out in the guide.

Every figure in this document is illustrative. No market rents, construction rates or benchmark costs are supplied by the model — every figure is your own lease terms and your own quotes.

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