The acquisition case, interrogated

Chapter 2. The model was built to win an auction. Before adopting it as a plan, find the four assumptions it rests on and the evidence behind each. This page is the specification you will be measured against.

Asset		**Asset manager**	
Fund		**Date**	

Assumption	What the model assumes	Evidence behind it	Plan or hope?
Income: the reversion or rental growth, not the headline rent			
Capital: the capex line, and what it was based on (TDD schedule or round number?)			
Time: voids, letting periods, rent-free, works durations			
Exit: exit yield against entry yield, exit date, the building assumed at exit			

Item	Answer	Evidence / note
Live handover meeting, not a folder: extract		
The rationale for the price: what the team believed it was buying that the market did not see		
The known problems, priced or accepted		
The relationships: vendor, agent, property manager, principal tenant, and the state of each		
Commitments made during the transaction, including verbal ones to tenants or the local authority		
The deferred items left to be dealt with after closing		
Minimum document set		
Lease documents for every occupier, with ALL side letters and licences (often held by an agent, not in the data room)		
Rent roll reconciled to the completion statement		
Technical due diligence, environmental and compliance reports		
Service charge accounts, last three years (under-recovery lands on you)		
Property management agreement, insurance schedule, planning history, title and restrictions		

Bad news in month two is a finding. The same news in month twelve is a performance issue.

The first ninety days

Chapter 2 and Chapter 18. Four outputs; everything else can wait. The fourth runs across all ninety days.

Asset		**Asset manager**	
Fund		**Date**	

Window	Output	Done / evidence	Date
Days 1-30: verify. Every lease line against the rent roll (rent, review date and mechanism, expiry, break and conditions, repairing obligation, service charge basis). Walk the building with the PM and engineer, and alone.			
Days 31-60: meet every occupier above 5% of income, and the largest without exception. Not to negotiate: to be named, to learn their plans, to ask the naive questions.			
Days 61-90: rebuild the plan from the ground up, not by adjusting the acquisition model. The difference is the most valuable thing you produce all year.			

What you do not know: each open question, with the range of outcomes priced

Open question (repairing obligation, deferred maintenance, planning constraint...)	Best case	Worst case	Evidence that would settle it	By when

Week-twelve document, delivered unprompted: each asset against its plan, the three things you intend to do in the next twelve months, and what you need to do them.

Delegation schedule

Chapter 3. One page, confirmed in writing. For each decision: who decides, who must be consulted, who must be informed. The consulted / informed distinction is where most internal friction starts.

Asset		**Asset manager**	
Fund		**Date**	

Decision	Threshold (per PROJECT, not per contract)	Decides	Consulted	Informed
Letting: rent floor				
Letting: maximum term				
Letting: maximum incentive (rent-free, fit-out)				
Letting: permitted covenants and security				
Capital expenditure per project				
Capital: treatment of overruns				
Emergency works				
Operating expenditure: variance tolerance				
Lease events: surrender, assignment, sub-letting				
Lease events: change of use, break waiver				
Service providers: appointment, replacement, fees				
Disputes and litigation				
Anything touching a related party				

Anti-splitting: a threshold expressed per contract invites a programme split into several contracts. The test is not whether a decision sits inside your numerical authority but whether a reasonable fund manager would want to know before it is made. If no schedule exists, write yours and send it up for confirmation.

The paper the committee can decide on

Chapter 3. Six parts, two pages. Attach the analysis behind it; do not put it in front of the decision.

Asset		**Asset manager**	
Fund		**Date**	

Part	Content
1. The decision sought: one sentence, an action with a number (rent, term, incentive, contribution)	
2. Context: the asset, what the plan assumed, where we are	
3. The case for: three or four points, valued in income, in valuation and at exit	
4. The case against, honestly	
5. The alternative, INCLUDING DOING NOTHING, with its consequence quantified	
6. The recommendation: the specific approval requested, and conditions	

Item	Answer	Evidence / note
Before it goes		
Same basis for numbers as at acquisition (exit yield, units); any change explained		
Bad news brought by you, early, with three courses of action		
Deadline: arrives well before the occupier's, not three days before		
Loop closed on the last decision: outcome reported against what was promised		

The asset business plan, on one page

Chapter 4 and Appendix A. A plan that cannot be wrong cannot be managed to. Each action is one sentence with an amount, a date and a consequence.

Asset		**Asset manager**	
Fund		**Date**	

Thesis, three to five sentences: what the building is, why the fund owns it, what the return depends on. Primary driver named and ranked (contracted income, reversion, letting vacant space, repositioning, exit yield).

Strategic action (amount, date, consequence)	Owner	Cost	Income effect	Value at exit yield	Abandon trigger

Risk	Quantified effect	Mitigation	Trigger point (event, date)	Owner

Exit	Condition that must be true by then
Date and buyer type (income or value-add, not both)	
Minimum WAULT / occupancy	
Capital completed, disputes settled	
Lease events to resolve, working back from the exit date	

Keep the original underwriting visible next to every reforecast. Revise the forecast; do not quietly re-base the plan.

The rent roll as a document of record

Chapter 5. Verify every line against the lease, side letters included. The value sits in the fields most summaries omit.

Asset		**Asset manager**	
Fund		**Date**	

Occupier / demise	Passing rent	ERV	Expiry	Break, date and conditions	Review: date, mechanism	Repair / SC cap	Security	Checked vs lease

Vital sign	Value	Reading
Passing rent (contracted now, not what is received)		
ERV and the reversion (passing less ERV, positive or negative)		
WAULT, weighted by RENT, not by area		
WAULB, to the earliest break; gap to WAULT = income the occupiers can walk from		
Occupancy by area, and by rent (ERV let over total ERV)		
Largest occupier / largest three / largest five, share of rent		

Year	1	2	3	4	5	6	7	8	9	10
Rent expiring										
Rent at a break										
Cumulative, % of passing										

Plot breaks at the break until it has passed. A lease expiring in year five must be resolved by year four to avoid a void, and by year three if the building is to be sold in year four: work backwards from the exit.

Underwriting the hold

Chapter 6. The price paid is sunk. The question is the forward return on today's net realisable value, and the break-evens at which it stops clearing the hurdle.

Asset		**Asset manager**	
Fund		**Date**	

Line	Year 1	Year 2	Year 3	Year 4	Year 5
Net realisable value today (year 0)					
Contracted rent					
Speculative rent (labelled)					
Voids (full cycle: marketing to rent commencement)					
Incentives as cash					
Non-recoverable costs					
Capital expenditure					
Exit proceeds net of costs					
Cash to the fund					

The three assumptions	Base	Evidence	Stressed one at a time: forward return
The reversion			
The void and incentive package			
The exit yield (base at or wider than entry)			

Result	Value
Forward return, base	
Downside: longer void, heavier incentive AND wider exit yield together	
Break-even exit yield (return = hurdle)	
Break-even void length	
Fund hurdle / cost of capital	

Chapter 6's illustration: 100 of value, 5.5, 6 less 4 and 6.5 of income, 108 on sale: 7.13 per cent forward; half a point wider at exit, 4.33 per cent (4.56 on the other reading of the 108), below a 7 per cent cost of capital.

Budget, reforecast and variance

Chapter 7. The budget is a commitment, the reforecast a prediction, the actual a record. Revise the forecast; never the budget.

Asset		**Asset manager**	
Fund		**Date**	

Material line	Budget	Actual / forecast	How much	Why (specific cause)	What happens next

Capital, split	Amount	Approval logic
Statutory and safety: must happen		
Maintenance: keeps the asset as it is		
Improvement: must earn a return (three tests)		

Income on the face of the budget	Amount
Contracted rent, by month from the rent roll	
Speculative rent: lettings not yet agreed	
Share of next year's income that depends on your own leasing	

A void counts twice: lost rent and landlord cost. "Market conditions", "timing differences" and "one-off items" permit no decision.

Accept or hold out

Chapter 8. Make the diffuse cost of vacancy visible, then compare it with the whole-term value of the rent difference. Answer the evidential question separately.

Asset		**Asset manager**	
Fund		**Date**	

Package	Offer 1	Offer 2	Offer 3
Headline rent			
Term / break			
Rent-free (months), fit-out, fees			
Net effective rent (per year over the term)			
Net effective rent to the break			
Covenant and security			

Cost of waiting	Amount
Rent forgone, months x rent hoped for	
Landlord service charge and rates on the space	
Continued marketing	
Probability the better rent is achieved	
Benefit: rent difference x term x probability	
Months at which waiting breaks even	
Rent needed for waiting to break even	

The evidential question	Answer
How much other space will be argued against this rent?	
Is the space explicable as inferior (floor, configuration, light)?	
Strategic vacancy? Which of the three situations, the cost accepted, the date by which it must let regardless	

Chapter 8: five per cent below target on ten years costs half a year of rent; six more months empty cost that half-year AND the holding costs.

The lease the valuer will reward, and the occupier behind it

Chapters 9 and 10. Negotiate components, each with a price. Assess covenant in proportion to exposure, and watch payment behaviour.

Asset		**Asset manager**	
Fund		**Date**	

Component	Occupier asks	Counter	Price / value
Term and break (date, notice, conditions, penalty)			
Rent review mechanism; review date against the exit			
Repairing obligation; schedule of condition (internal only?)			
Service charge cap (INDEXED), exclusions, apportionment			
Security: deposit (incl. service charge, top-up), guarantee (who, where enforced)			
Green clause: data sharing; consent standards for fit-out			

Item	Answer	Evidence / note
Covenant: level one (all), two (sector), three (this unit)		
Profitable? cash generative? covenanted debt? rent as a share of operating cost?		
Sector direction and position; for location-specific occupiers, the branch		
Early warning, in order of reliability		
Payment pattern (days late, by occupier, monthly)		
Requests for variation (monthly payments, deferrals, deposit)		
Physical signals; sector signals; contact that keeps changing		
A concession, if it is the answer		
Temporary and conditional; something received (term, break removed, security, information); documented as a variation; the fund and the valuer told		

Operating costs, recovery and compliance

Chapter 11. Measure the recovery rate and decompose it: only the vacancy component is temporary.

Asset		**Asset manager**	
Fund		**Date**	

Recovery rate	Points	Temporary?	Action
Recovered / recoverable expenditure			
Vacancy			
Caps (unindexed caps widen every year)			
Exclusions			
Apportionment shortfall (shares add to less than 100%)			

Property manager mandate	Defined?
Scope: base fee, additional charges, exclusions	
Monthly report: arrears by occupier with ageing; spend vs budget by line with causes; compliance; issues log	
Retender every three to five years; quarterly site walk	

Compliance item	Responsible	Last verified	Certificate seen?	Next due	Status

Fire, electrical, lifts and pressure systems, water and legionella, asbestos, gas, accessibility, energy certification. A status report is not evidence; the certificates are. Chapter 11's building: 81 per cent = 100 less 9 vacancy, 5 caps, 2 exclusions, 3 apportionment.

Capital, building performance and repositioning

Chapters 12 to 14. Only improvement capital faces the return test. Plan performance work into voids years ahead. A conversion is a development activity.

Asset		**Asset manager**	
Fund		**Date**	

Improvement capital: all three tests	Answer and evidence
1. Income uplift: amount, when, evidence (comparables, agent in writing, pre-let)	
2. Value created at the exit yield less cost incl. fees, contingency, lost income: a meaningful margin?	
3. Best use of the capital against leaving it, using it elsewhere, returning it	
4. What happens if we do not do it?	

Performance plan	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8
Lease events (expiries, breaks)								
Standard applying								
Void available for works								
Capital committed (date)								

Repositioning option	Value on today's NRV	Key risk
Do nothing, with income DECLINING		
Refurbish in current use		
Reposition: cost, time out of income, consent probability, overrun		
Sell to someone who repositions for a living		

Appendix F: doing nothing costs 4,770,000, 1.49 times the work; the void is worth 1,302,000, of which 689,000 is income; fabric beats plant by 448,000 because a buyer deducts 1,479,000 for plant with six years left.

Hold, refurbish or sell, and the quarterly report

Chapter 16 and Appendix B, Chapter 15. One page, on today's realisable value, identical assumptions. The purchase price appears nowhere.

Asset		**Asset manager**	
Fund		**Date**	

	Hold	Refurbish	Sell
Opening capital committed			
Income to horizon			
Capital to horizon			
Exit proceeds			
Forward return			

Item	Answer	Evidence / note
Triggers (which is closest?)		
Plan delivered; major lease event resolved or approaching; substantial capital due; the market moves; the fund needs liquidity (rank all assets)		
If selling: preparation, 12 to 24 months		
Lease events inside 18 months resolved or priced; capital complete; documentation indexed; recovery rate quantified; disputes settled; ONE buyer type; agent chosen on buyer relationships		

Quarterly report	Content
Headline: against plan, what changed, decision needed	
Performance against plan: actual, plan, variance, cause	
Activity: lettings with full terms, works, disposals	
ISSUES: not going to plan, action, decision and deadline	
Outlook: next quarter, next twelve months of lease events, exit	

Recommendation in one sentence, then the trigger that would change it: the event, the threshold, the date by which it would be observable.