

10 COST SAVINGS OPPORTUNITIES

WITH REAL ESTATE LEASES



With the deadline for implementing the new lease accounting standards on the horizon, trillions of dollars of operating leases will soon move onto the balance sheets of corporations worldwide.

At most companies, real estate represents the largest asset category in the leasing portfolio. As organizations upgrade systems, processes and controls to support the new accounting standards, many are also taking a closer look at real estate functions to identify potential cost savings opportunities.



Many companies have already tackled the "quick wins" in real estate business processes - those that generate million-dollar savings opportunities. However, significant cost saving opportunities still remain, including improvements to the accounts payable, collections, and contract management processes. Below we outline ten potential cost savings opportunities for real estate lease administration, which include:

01 DESKTOP AUDITS

Are you conducting periodic desktop audits of your real estate leases to identify errors? If not, you may be over-paying for common area maintenance charges, property insurance or local taxes.



Conduct regular desktop audits of your real estate invoices. Ensure that operating expenses and variable rents are being calculated correctly. Confirm that contractual clauses such as free rent periods are reflected in landlord invoices. Consider outsourcing to a specialized real estate lease administration provider or developing a Center of Excellence to conduct the audits.

02 FULL SCOPE AUDITS



Are you monitoring for unauthorized expenses when new landlords take ownership of a property or when significant occupancy changes occur? If not, you may be helping fund building improvements for new tenants and helping the landlord recover missed income from unoccupied space.

Conduct full-scope audits in scenarios such as ownership changes, building improvements, or occupancy changes. Ensure that capital improvements made for new tenants are not being passed on to you. Confirm that landlords are not attempting to recover tax, insurance, or operating expenses associated from unoccupied space.

03 SUBLEASE COLLECTIONS

If you're subleasing some of your portfolio, are you properly collecting revenues from your subtenants? Many companies do not pass along the costs of increases in variable rent or operating expenses to their subtenants.



Ensure that rent is being collected from subtenants. Validate that collections include not only base rents, but also accurate variable rents and pass-throughs of common area maintenance charges. Consider establishing structured processes, systems, and owners for the collection and management of sublease receivables.

TENANT IMPROVEMENTS 04



Are you tracking allowances for tenant improvements throughout the lease? If not, you could be foregoing cash reimbursements or upgrades to your leased space.

Ensure that moving and tenant improvement allowances written into the lease are not being forfeited due to inaction. Implement a system to track critical dates and monitor allowances throughout the lease term.

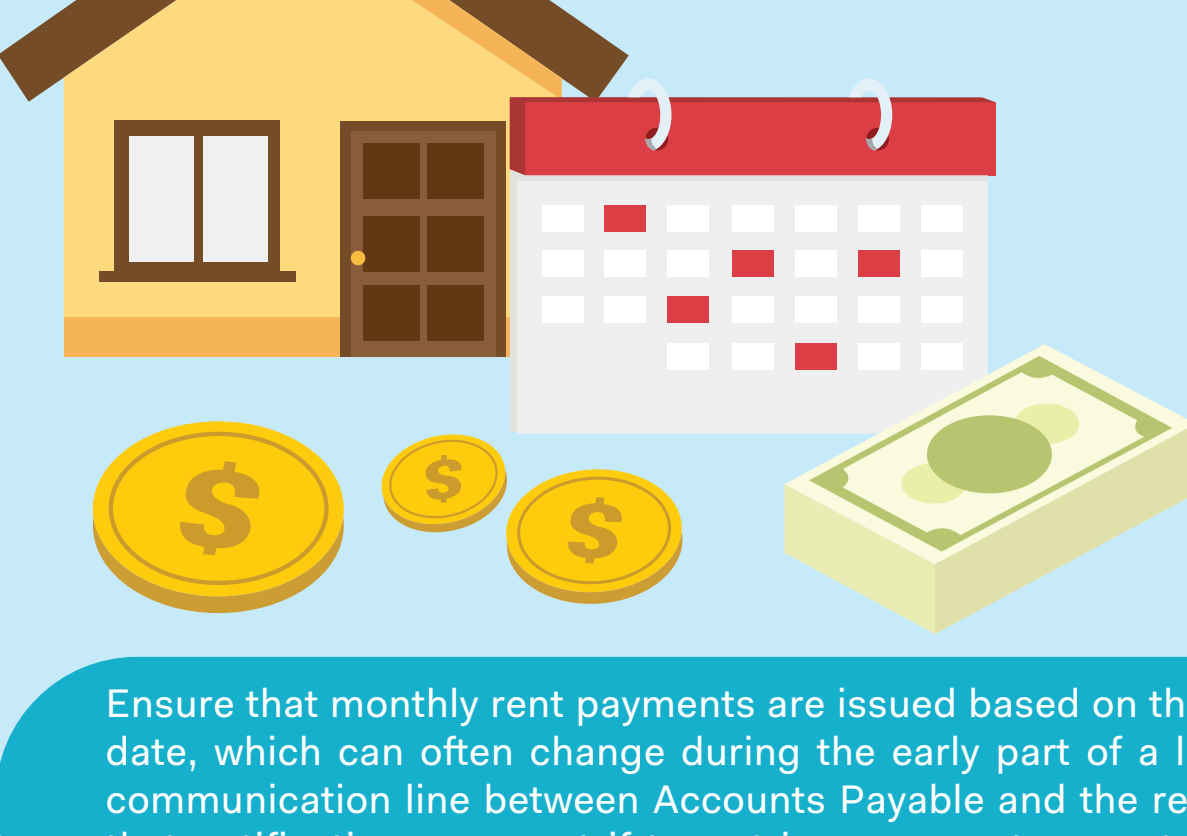
05 SECURITY DEPOSITS

Are you collecting security deposit refunds owed to you at the end of a lease? If not, you could be forfeiting hundreds of thousands, if not millions, of dollars to landlords.



Institute a process to systematically recover security deposits for leases that are not renewed. Ensure that information about the upfront deposits are well documented in lease administration systems. Develop a process that ensures knowledge is not lost as personnel change jobs and contracts are renewed.

COMMENCEMENT DATES 06

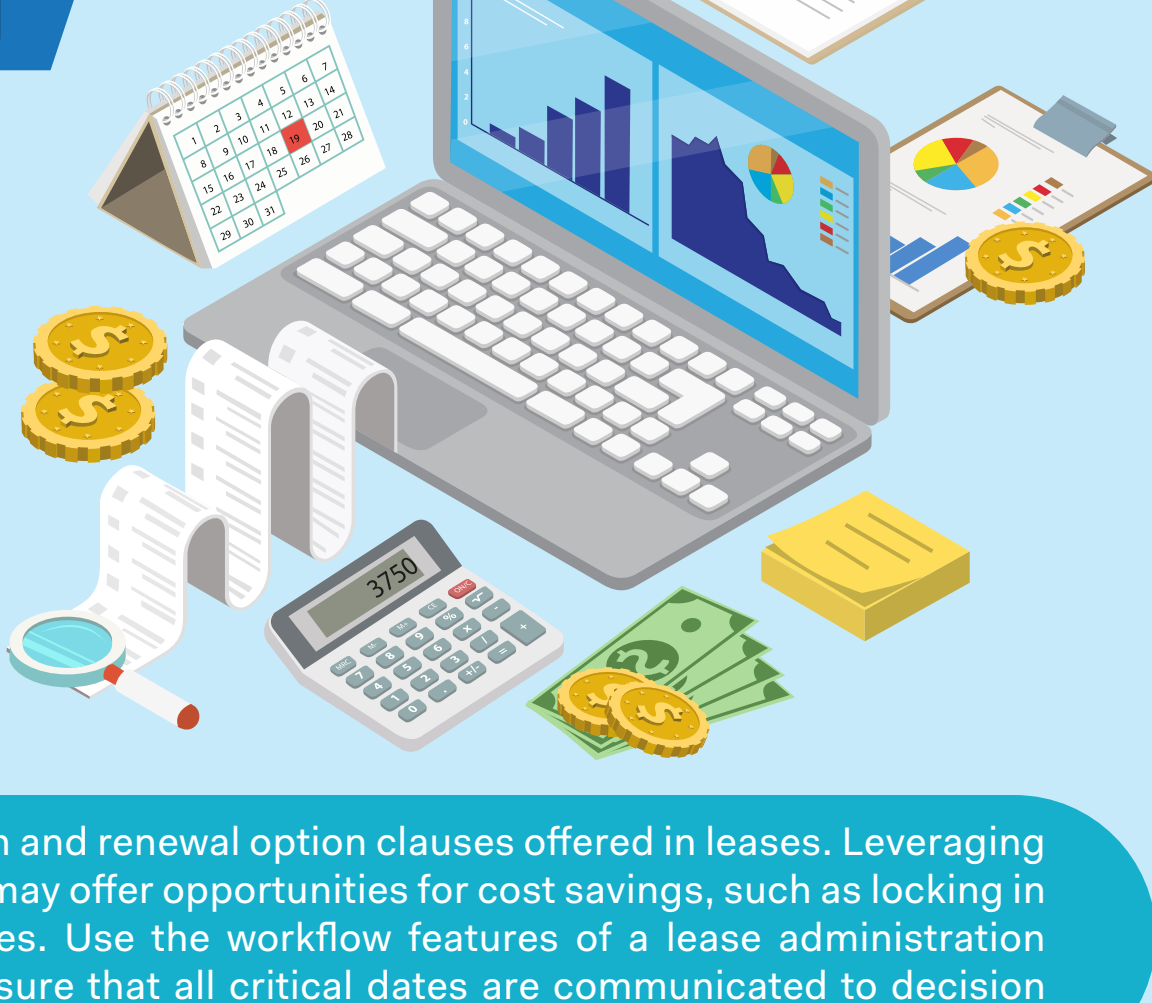


Are your accounts payable teams using the correct commencement date to start rent payments? If not, you may be over-paying monthly rent at your properties.

Ensure that monthly rent payments are issued based on the actual commencement date, which can often change during the early part of a lease. Establish a strong communication line between Accounts Payable and the real estate team to ensure that notifications are sent if tenant improvements, construction work, or move-in delays push back the commencement date.

07 CRITICAL DATES

Are you proactively monitoring the critical dates in your real estate leases? If not, you could be passing up opportunities to renew or expand leases at discounted rates.



Capitalize on the expansion and renewal option clauses offered in leases. Leveraging these contractual options may offer opportunities for cost savings, such as locking in rents at below market rates. Use the workflow features of a lease administration software application to ensure that all critical dates are communicated to decision makers so action is taken before deadlines.

PAST END OF TERM 08

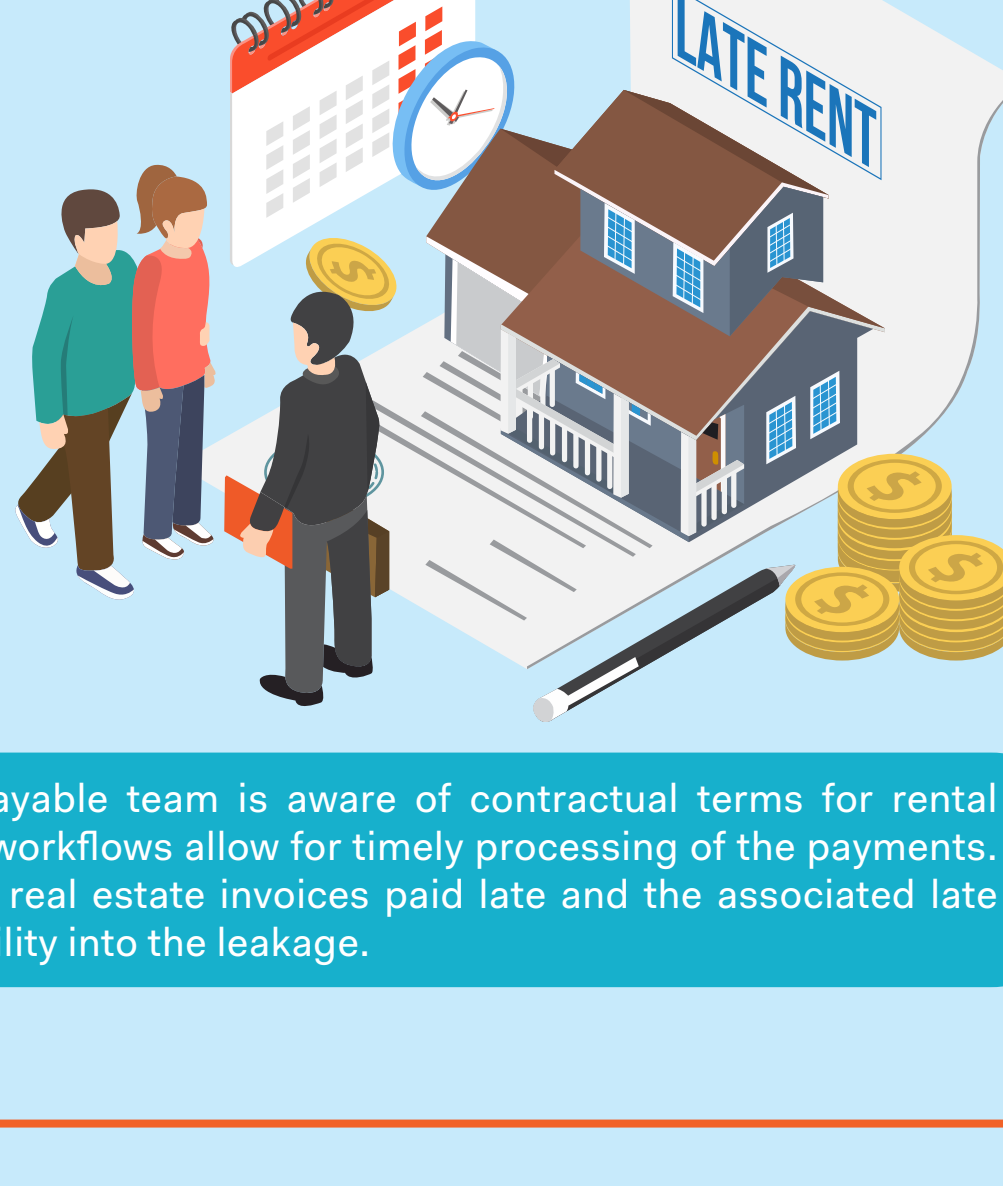


Are you paying for leases on properties that you no longer occupy or forgetting to renew leases on time? If so, you could be losing tens, if not hundreds, of thousands of dollars.

Ensure that key stakeholders are aware of all upcoming lease end dates. Be sure to notify landlords of desire to renew space. And be sure that relocation strategies are in place to avoid paying unnecessary holdover penalties. Confirm that Accounts Payable is notified when a property is vacated to avoid paying rent on facilities no longer in use.

09 LATE RENT

Are you consistently processing and paying your real estate leases on time? If not, you may be incurring costly late fees.



Ensure that the accounts payable team is aware of contractual terms for rental payments and that approval workflows allow for timely processing of the payments. Report on the percentage of real estate invoices paid late and the associated late fees incurred to provide visibility into the leakage.

SPACE OPTIMIZATION 10



Periodically assess the utilization of workspace to understand the economics of leases. Team up with Human Resources to compare actual to expected headcount per facility to identify which spaces are underutilized and pinpoint opportunities for short-term and long-term cost savings.