



Deloitte Risk & Financial Advisory Services Offerings

Lease audit services

The time is now

As our clients become increasingly cost conscientious betting on an economic slowdown, there are a few focused service offerings that clients may find appealing. One such service offering is **Lease Audit Services**. Lease Audit Services provide an effective opportunity to reduce costs, liabilities, and/or exposure from leased real estate. The services are a blend of contract compliance and forensic accounting focused on assisting organizations with leased commercial real estate in identifying and recovering rental overpayments (including base rents, common area maintenance, operating expenses, property taxes, and/or utilities). Considering that leased real estate expenses are often one of the more significant cost categories for many companies, the costs savings potential can be impactful.

Why now?

Not only are our client's becoming increasingly cost conscious with a possible slowdown, but it's also the time of year when our clients will begin receiving their annual statements of common area maintenance and taxes from the landlords of their leaseholds. These statements, which are usually issued in the first quarter of the year, are reconciliations of what they paid as estimates versus the calculated actuals they owe for their share of the commercial property's operating expenses, taxes, and utilities. These statements trigger what is commonly known as the "lease audit window," a period of time specified within a lease where the tenant is able to contest and inspect (or "audit") the accuracy or validity of the statement. If left uncontested, the operating expenses reflected on this statement are usually deemed final and binding.

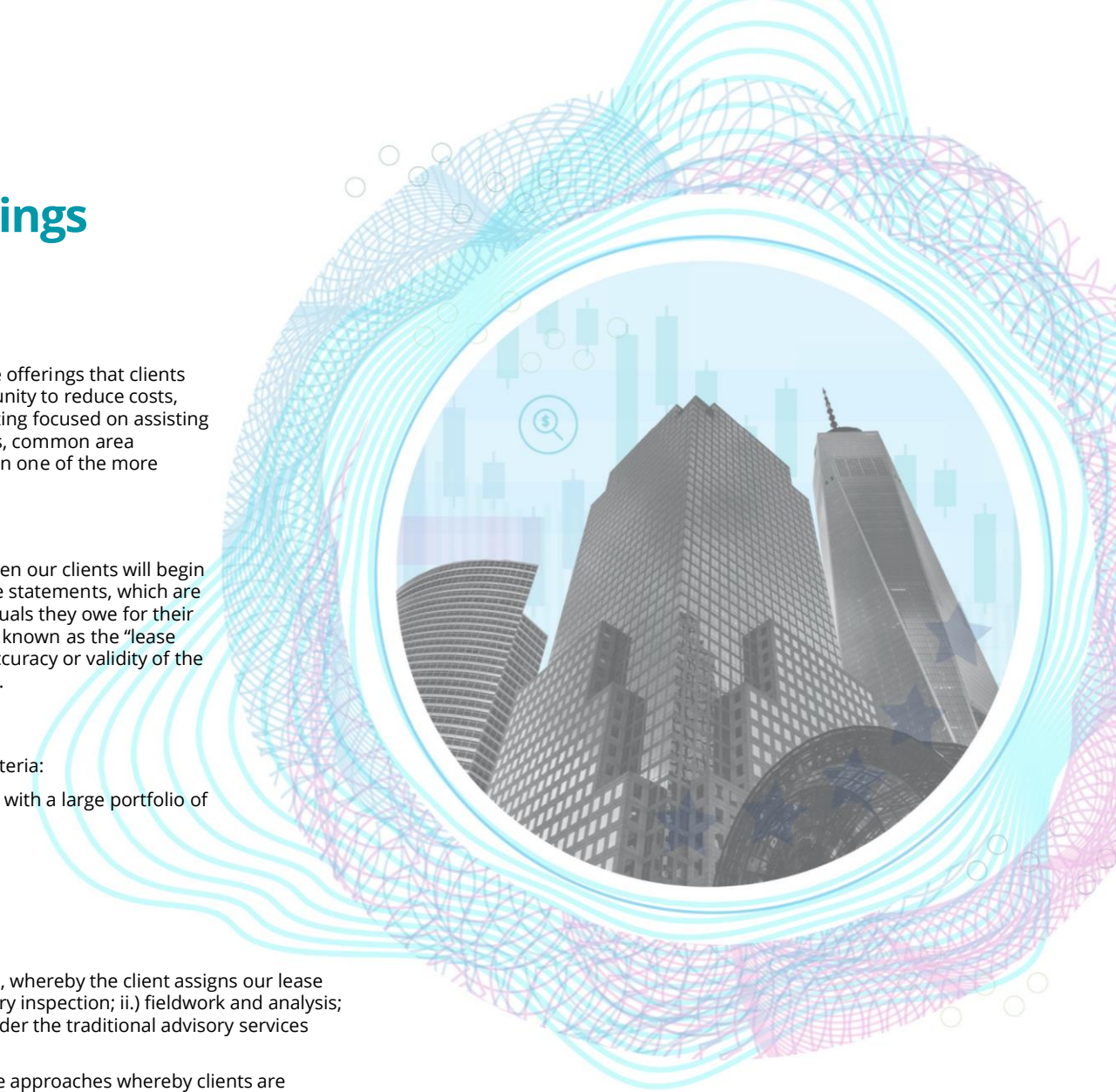
Who can benefit from these services?

Clients across all industries looking for cost containment or reduction that hold leased real estate fitting the following criteria:

- Clients with at least one large commercial real estate leasehold (meaning a leasehold >25K sq. ft.), although clients with a large portfolio of leased commercial real estate may be more suitable candidates
- Clients with decentralized lease management
- Clients having issues with the landlords and/or property managers of their leased real estate

How we structure the services

- **Traditional Advisory:** Historically, these services have been provided to our clients as traditional advisory services, whereby the client assigns our lease advisory services team identified leaseholds for audit. Our team then performs multi-phased services: i.) preliminary inspection; ii.) fieldwork and analysis; iii.) reporting; and iv.) negotiation assistance (allowing for client approvals at each phase). Our professional fees under the traditional advisory services structure are normally set-up as either contingency fee, fixed fee, or a hybrid of the two.
- **Hybrid Operate:** More frequently, we're observing requests to perform the services under hybrid managed service approaches whereby clients are seeking to embed our lease advisory specialists within their corporate real estate teams to manage the reviews of their real estate spend on an ongoing basis. Our professional fees under a hybrid-operate structure are set-up on a time and materials basis at competitive rates, often with performance incentives based on key performance indicators (KPIs).



Recent success stories

- **Large FinTech (1,400% ROI):** Under a hybrid operate delivery model, Deloitte's commercial real estate lease advisory services professional performed a analysis of rental charges across the organization's vast portfolio of leased commercial office real estate identifying and aiding in the recovery of over \$30M in overbillings.
- **Biotechnology Company (400% ROI):** Under a traditional advisory services model, we were assigned a few domestic office and lab space leaseholds running each through our phased approach to lease audit services. At the conclusion of the first year of the services, we identified, and the client recovered, over \$1.25M in operating expense billing errors.
- **Domestic Big Box Retailer (200% ROI):** Under a loan staff arrangement, the client leveraged specialists from Deloitte's commercial real estate lease advisory services team who, over a multi-month period, reviewed the real estate rental invoices associated with a select pool of underperforming stores identifying over \$600K in billing errors predominately related to COVID-19 pandemic period negotiated concessions.

What our clients should know

- **This is a quick cost reduction opportunity:** In Deloitte's last survey of over 200 cross-industry corporate real estate executives, over 80% of responding executives reported cost savings resulting from lease audits and of those reporting cost savings, about 50% cited the amount of savings as "significant."
- **Deloitte Risk & Financial Advisory:** We are a leader in providing these services and have been doing so for more than 25 years with an optimized playbook, philosophy, and approach which has led to over \$500M in realized savings for our clients.
- **Competitive fees (Contingent and Non-Contingent):** For non-attest clients, we're able to offer contingency and performance-based fee structures. Otherwise, if time and materials are preferred or it is an attest client, we offer competitive blended hourly rates.
- **Permissible Services:** The services may be performed for both non-attest and attest clients of Deloitte.

Who to contact

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