



## Real Estate Advisory Services for Occupiers

Reduce risks related to your organization's leased real estate

### The Issue

Commercial real estate management is dynamic, requiring organization's commercial real estate departments and their lease administration teams to be adaptive toward ever-changing market conditions, reporting requirements, and system changes. Most recently this includes tackling the new lease accounting standards which shifted the focus of these departments away from operational management towards financial reporting. Consequently, for some organizations, the focus on the operational management of their leased real estate has been diluted leading to increased risk which could be costly if not detected.

### The Opportunity

Through services specifically designed to reduce risk related to leased real estate for occupiers, our real estate professionals, aided with working knowledge and experience in real estate operations, administration, and accounting, can assist commercial real estate departments and their lease administration teams assess the accuracy, integrity, and performance of their real estate leases at either a single asset or portfolio level. These services, which are customizable to suit each organization's specific circumstances, include:

- Lease audits<sup>1</sup>
- Lease language reviews
- Lease administration consulting
- Lease abstraction and data analysis
- Strategic lease positioning assessments

*Take a closer look into offerings provided by Deloitte's real estate professionals*

### Deloitte's real estate industry practice has:

-  Performed over **10,000** lease audits over the past 23 years resulting in more than **\$250 million** in savings for our clients
-  Abstracted over **100,000** leases for critical data related to both operational and accounting purposes in over **38** languages
-  Experience in working with and implementing more than **15** lease administration and integrated workplace management (IWMS) systems
-  A global reach having performed services covering over **50** countries across major geographies including the Americas; Asia-Pacific (APAC); and Europe, Middle East, and Africa (EMEA)

### Breaking it down

#### Why is data quality important in lease administration?

**High-quality data integrity within your lease administration system allows you to enable your real estate operations, reporting, and strategic decision making. Poor data integrity within your lease administration may lead to increased costs; inaccurate, unreliable, or bounded reporting; missed opportunities; or professional embarrassment.**

#### What does Deloitte focus on to drive data quality across its services?

For services that impact lease administration, Deloitte focuses on driving across our seven (7) dimensions of data quality:

- |                        |   |
|------------------------|---|
| <b>1. Accuracy</b>     | <b>Confirming that the data values represent the intended use</b><br><i>(e.g., correctness of clause / clause option type labeling)</i>                     |
| <b>2. Conformity</b>   | <b>Checking to confirm that the data values conform to the specified formats</b><br><i>(e.g., critical date formats; currency values)</i>                   |
| <b>3. Duplication</b>  | <b>Identifying unintentional multiple representations of the same data within the data set</b><br><i>(e.g., duplicate lease records; duplicate clauses)</i> |
| <b>4. Integrity</b>    | <b>Making certain that the data is correct without misrepresentation</b><br><i>(e.g., typos; inaccurate summaries)</i>                                      |
| <b>5. Consistency</b>  | <b>Determining that the data is uniform across the population of data</b><br><i>(e.g., use of company acronyms)</i>   |
| <b>6. Completeness</b> | <b>Analyzing that there are no unintentional data omissions</b><br><i>(e.g., missed lease clause)</i>   |
| <b>7. Precision</b>    | <b>Objective of accuracy, checking to determine that data provides required depth</b><br><i>(e.g., narrowness of summarized clause text)</i>                |

<sup>1</sup> The term "audit" as used herein is not and should not in any way be construed to be synonymous with the terms "audit," "audit procedures," "compilation," "review" or any form of "attestation" service as described in the pronouncements on professional standards issued by the American Institute of Certified Public Accountants, the Public Company Accounting Oversight Board, or other regulatory body.

# Taking a closer look

## Lease audits<sup>1</sup>

Our specialist real estate professionals perform services that seek to identify rental expense savings for organizations with leased real estate by identifying and recovering rental expenses that were improperly charged to the organization by their landlords under the contractual terms of their lease agreements. The services blend a knowledge of contract compliance, forensic accounting, and commercial real estate facility operations. Rental expense charges covered through the performance of lease audit services include not only base rental charges, but also operating expenses (OPEX)/common area maintenance (CAM) and property tax reimbursements, utility (sub-metered and/or common area) and other charges (e.g., overtime HVAC; janitorial services; condenser and/or chilled water).

## Lease language review services

It's not so much what you say but how you say it, especially when drafting a lease that has long term value to your organization. Our team analyzes the specific business points and terms of a lease and offers recommendations on tenant-favorable language. This may include assisting tenants in drafting lease documents, using language that targets operating expenses and real estate taxes, base years, pro rata shares inclusions/exclusions, lease audit rights and windows, occupancy gross-ups, and other potential protections from overly aggressive pro-landlord language. This is valuable because operating expense interpretation issues and financial ambiguities found in many leases frequently favor the landlord.

## Lease administration consulting and advisory services

Our professionals evaluate clients' existing policies, procedures, and proper sizing of personnel in the lease administration department and provide recommendations for potential improvements in back-of-the-house operations. We can also advise your organization on procedures that may need to be revised or enhanced based on industry benchmarks including providing assistance in mapping "as is" conditions and "to be" leading practices. These procedures frequently enhance management reporting and controls and supplement Sarbanes-Oxley 404 work for procedural mapping of lease administration internal controls. This is of interest to many organizations after the implementation of the new lease accounting standards.

## Lease abstraction and data validation services

Our end-to-end services can encompass initial abstraction of the mandatory accounting and operational data fields, as well as ongoing lease data maintenance and assistance with data quality and remediation activities. Standards we can address include Accounting Standards Committee (ASC), International Financial Reporting Standards (IFRS), Statement of Federal Financial Accounting Standards (SFFAS), and Government Accounting Standards Board (GASB). Our projects integrate manual and technology driven techniques to allow us to focus on driving the quality of data across seven dimensions of data quality.

Find out more at <https://www2.deloitte.com/us/en/pages/risk/solutions/lease-abstraction-services.html>

## Strategic lease positioning assessments

Many companies fail to fully take advantage of the "hidden value" that may be contained in their leases. We can help evaluate provisions and rights in a lease, such as expansion, contraction, early terminations, first offers, co-tenancy (for retail), and more that may be advantageous to market conditions. We also assist in developing strategies to capitalize on these opportunities.

## Why Deloitte?

Services similar to those being outlined hereto are often offered for "free" or at steeply discounted rates by real estate brokers who are performing lease transactions for organizations. However, having a team with incentives based on the transaction is not always impartial or unbiased. Deloitte provides the opportunity for an objective segregation of duties between transactions and real estate departments.

**Let us know if we can assist your organization through training. From the novice to the more sophisticated, our practice has taught thousands of lease auditors, lease administrators, and real estate executives the fundamentals of lease auditing and lease administration. Our two-day seminars (8 hours of CPE each) on lease administration and lease auditing have been regarded as leading class.**

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