

**CBRE**

CBRE Portfolio Services

# LEASE AUDIT OVERVIEW

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2019



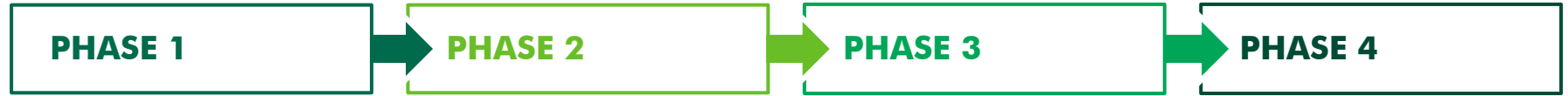
# LEASE AUDIT PRODUCT SUITE

- Mathematical accuracy
- Pro rata share
- Base year & amount and increase vs prior year
- Confirm LL estimates/escrows match payment history
- Term – period covered by the charges
- Verify correct base year or expense stop
- Confirm receipt of TI and allowances
- Verify letter of credit and security deposit draw downs
- Comparison of lease review findings with actual payments
- Contact LL to advise of audit, detailing requested information
- Negotiation of recovery
- Arrange field visit to review landlord’s accounting records and site visit of leased property (where applicable)
- Conduct review of landlord’s accounting records (general ledger, invoices, payroll records, etc.)
- Perform forensic site inspection of the premises (where applicable)

\* Reconciliations that raise a red flag will be queried with the LL. Reconciliations that cannot be explained by the LL are escalated and CBRE will review for potential full scope audit.

	OPEX REVIEW	FULL SCOPE AUDIT
	Cost Control reconciliation review conducted prior to payment of rent and operating expenses *	A comprehensive review of all financial considerations under the lease, including, but not limited to: base rent, operating expenses, real estate taxes, allowances and utilities
	✓	✓
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	No cost Included in the standard Portfolio Services pricing model	Contingency Fee and/or Hourly (Travel costs and other reimbursements may apply)

# FULL SCOPE AUDIT REVIEW PROCESS CHART



## Customized Plan

- Prioritize locations with most impactful recovery potential, e.g. annual CAM spends and significant size
- Review lease clauses to prioritize restrictive/ limiting expenses e.g. Base Year, Expense Caps, Management Fee Caps, Capital Improvement Restrictions, etc

## Receipt/Prioritization

- Reserve audit rights
- Review lease terms
- Confirm expenses are allowable
- Confirm expense allocations
- Request backup for significant items, e.g. RET, INS, Capital Improvement, etc
- Prioritize reviews by audit window deadlines

## Review/Recovery

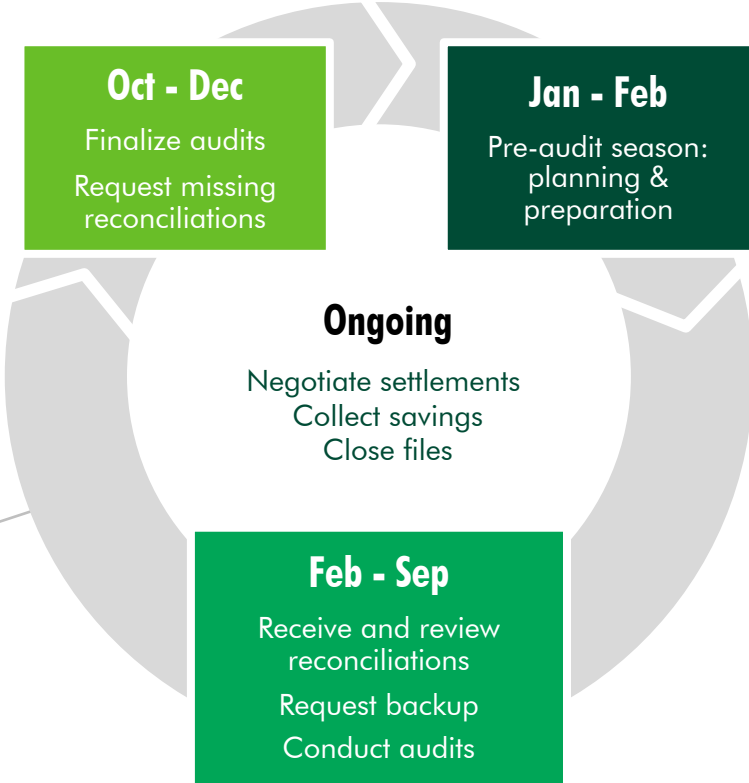
- Verify application and calculation methodology for limiting clauses, e.g. Exp. Caps/Stops, Mgmt. fee, Amortization, etc
- Ensure CAM escrows paid by Client correctly applied to CAM recon
- Analyze/question significant increases over prior year
- Negotiate with Landlords
- Track refunds / credits

## Escalation/Completion

- Finalize reviews
- Save/upload final reviews per Client requirements
- Monthly reporting on status of audits & settlement negotiations
- Participate in quarterly/annual business reviews

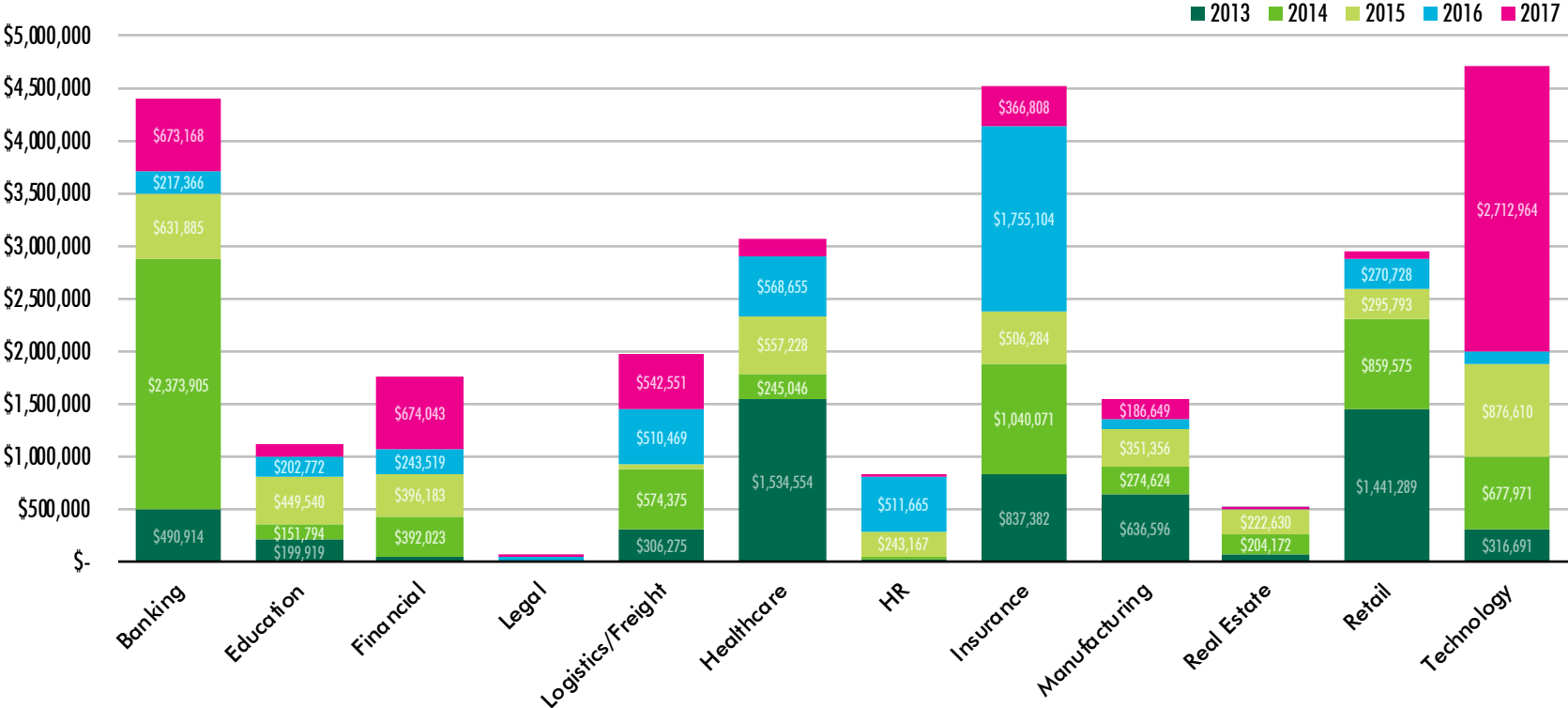
# LEASE AUDIT CALENDAR

While there is a definitive Lease Audit season, the Lease Audit process for a client portfolio is a year-round operation.



# REVIEW SAVINGS BY INDUSTRY

Cost Avoidance & Savings of \$27.3 Million over 5 Years



# WHAT

## What does a full scope audit include?

Full Scope Lease Audit includes both reactive and proactive approaches to mitigating real estate occupancy costs

### All Financial Considerations under the Lease:

Base rent

CAM, tax,  
insurance

Percent rent  
for retailers

Tenant  
improvement  
recapture

Income lease  
reviews

Lease  
language  
reviews

# WHY

## Why should your clients & prospects consider our full scope lease audit?

### Low risk to client

Add to bottom line with no additional investment purely by identifying hidden savings

- We are tenant advocates
- Materiality of real estate expenditure
- Time is always of the essence
- Commitment to tenant advocacy
- Access to information
- Proactive approach – language reviews
- Leadership proven track record



# WHEN

When should we be approaching the market?

Time is of the essence  
**always**

- Binding statements
- Audit windows
- Statutes of limitation
- Estoppels





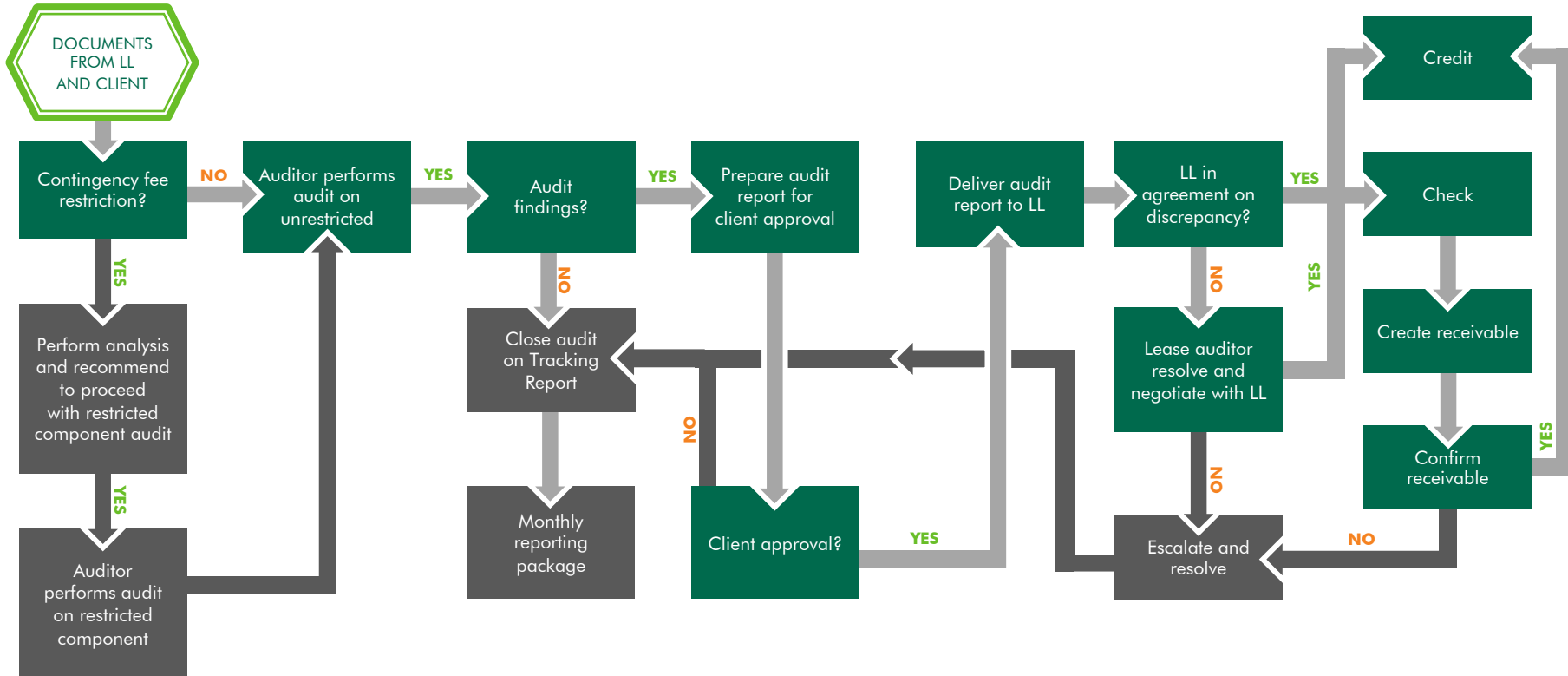
# WHO

To what type of client profile is a full scope audit best suited?



# HOW

## Audit process



# HOW

## How do we charge?

### CONTINGENCY

Preferred method

Market rate:

- 35% of savings and realized value

Full scope audit audit locations are to be mutually agreed. Contingency fee includes only locations above 20k square feet. Audits that fall outside of this range can be added upon client's request and may be charged at the hourly rate.

### HOURLY RATES

Hourly rates for audit support:

- \$175/hr (lease auditors & coordinators)
- \$225/hr (lease audit managers)
- \$350 (MBA/CPA resources)

Contingency restrictions typically only applicable to CAM

**CBRE**

Thank you



toward a greener  
tomorrow

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