



*Achieve
Ambitions*

Managing Costs and Improving Real Estate Process Efficiency

Presented to

Financial Executives International CFO University

May 18, 2017

- Compile accurate data on all assets
- Scenario planning
 - Blend & Extend
 - Sale Leaseback

57% of companies are actively reorganizing their businesses

Source: Global Capital Confidence Barometer — Ernst & Young, 2016

Building Flexibility into Leases



- Staggered lease expirations
- Termination options
- Contraction options
- Preferential rights/right of first refusal (ROFR)

Blend and Extend Example



- Lease expiring in 2021 with a termination option for the entire space effective in 2018 by providing notice in 2017
- Current tenant-favorable market allows for opportunity to open dialogue with the existing Landlord about an early restructure/extension
- Highly competitive relocation options exist
- Negotiate an early restructure package that is financially stronger than a relocation and a substantial reduction in rental rate over the remaining term
- One client example provided for eliminating remaining rent obligation through free rent (\$2.9 million) and negotiating a Tenant Improvement Allowance that could be used immediately and/or applied towards rent reduction

Sale/Lease-Back Example



- Desire to monetize real estate assets for redeployment into the business
- Credit tenant
- Cost of capital can be very low because capital markets are looking for credit tenants – driving cap rates down
- Usually requires long-term lease (12+ years)
- Retain operational control of the Lease
- One client example provided tenant with \$1.2 billion in cash by doing sale/lease-back as part of its U.S. and overseas real estate portfolio

- Occupancy planning

Through occupancy planning, density and space utilization can be improved on average by 20%

Source: JLL Occupancy Planning Consulting Group

Occupancy Planning Cost Savings Example

Theme	Assumption	5-Year Savings
Workplace	Changing headcount to seat ratio from 1:1 to 2:1 for 1,000 employees at a rental rate of \$50 per rentable square foot	\$25M
Portfolio	Migrating 1,000 employees from high rent to low rent district within same metro area, saving \$15 per rentable square foot	\$15M
Location/Footprint	Moving 3,000 headcount from high-cost location to suburban location	\$63M

- Consider co-working for cyclical or part-time workers

30% of corporate portfolios will comprise flexible workspace by 2030

Source: World Green Building Council

63% of companies say the main reason for using shared office space is the ability to collaborate

Source: The Boston Consulting Group, Accenture 2015, CoreNet 2015

People working in a green office report higher cognitive function than those working in a conventional office by as much as 61%

Source: Harvard T.H. Chan School of Public Health, 2015

- The 1980s produced 98 million rentable SF (RSF) of office space
- Over 169 million RSF of office space is 30+ years old

- Daylight/lighting – Workers with greater window access:
 - Sleep on average 46 minutes more per night
 - Are up to 10% more productive
 - Mental function and memory are 10-25% better

- Indoor air quality and ventilation
 - Reduces absenteeism – 35% less short-term sick leave
 - Has shown to improve cognitive test scores by 101%
 - Increase productivity by 11%

Source: World Green Building Council

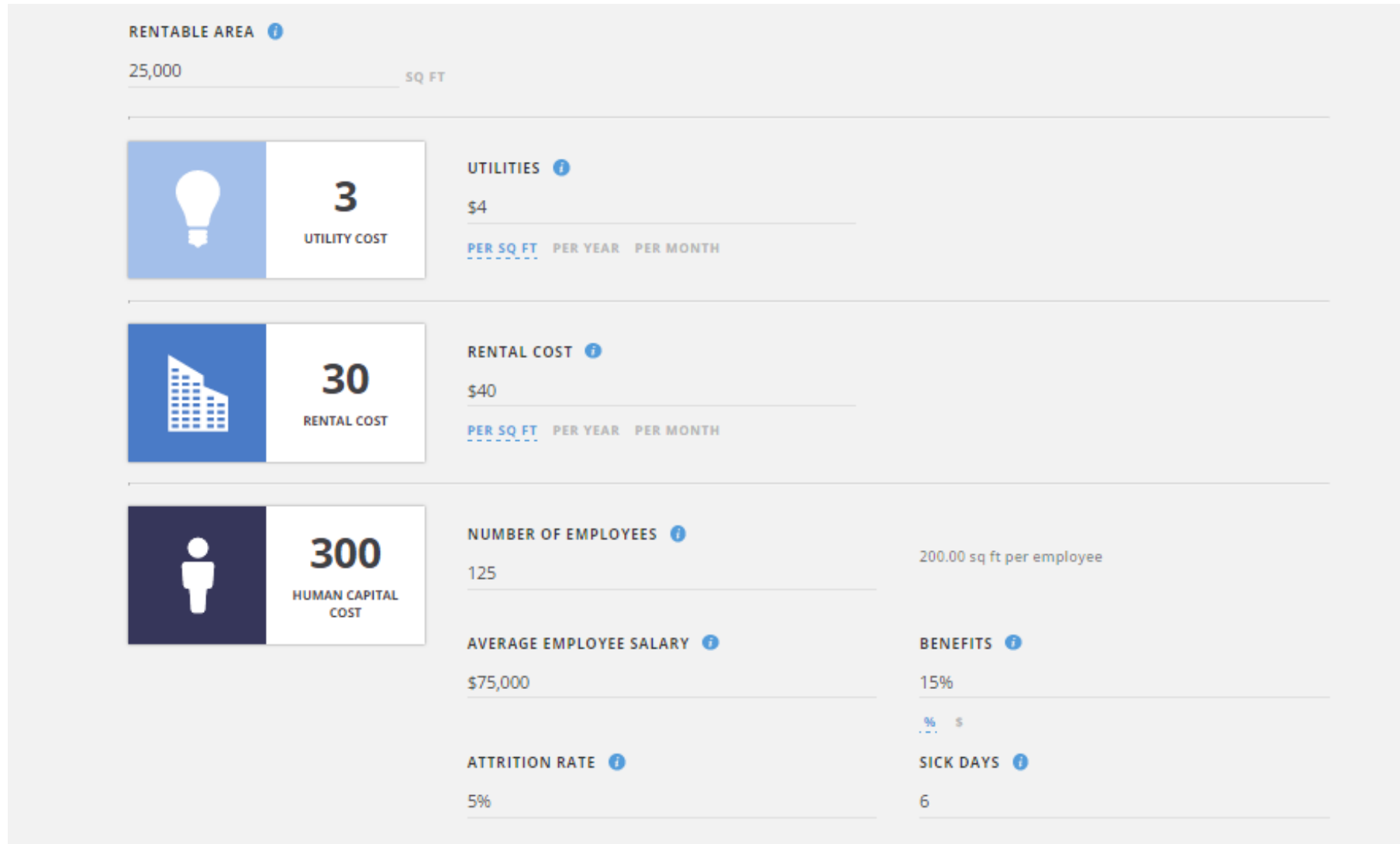
The 3-30-300 Rule of Thumb

- Organizations typically spend:
 - \$3 per square foot per year for utilities
 - \$30 for rent
 - \$300 for payroll



3-30-300 Calculator

The 3-30-300 Rule of Thumb



The 3-30-300 Rule of Thumb



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TOTAL OCCUPANCY COST PER YEAR

\$11,881,250

HUMAN CAPITAL COST PER YEAR

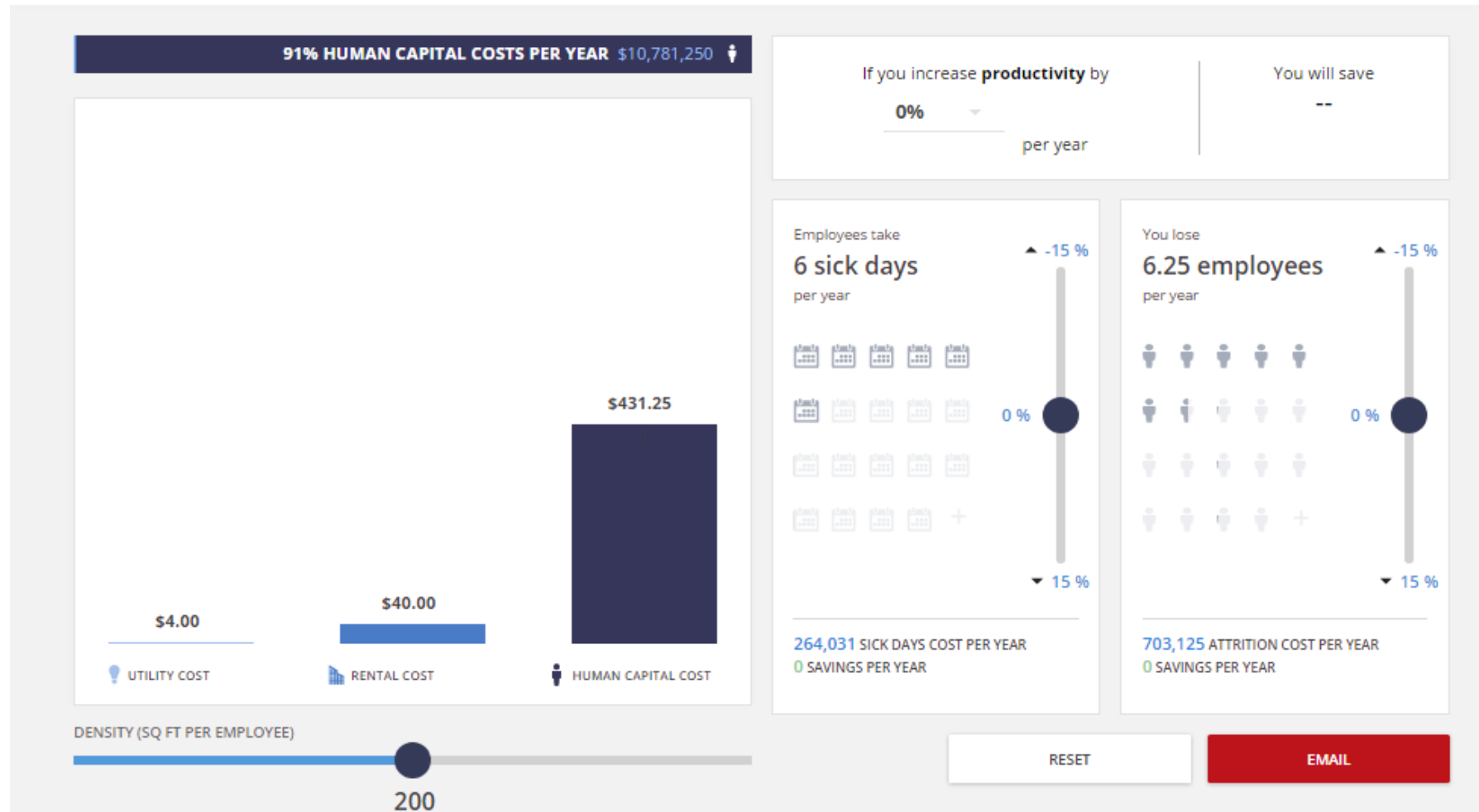
\$10,781,250

SICK DAYS COST PER YEAR

\$264,031

ATTRITION COST PER YEAR

\$703,125



The 3-30-300 Rule of Thumb



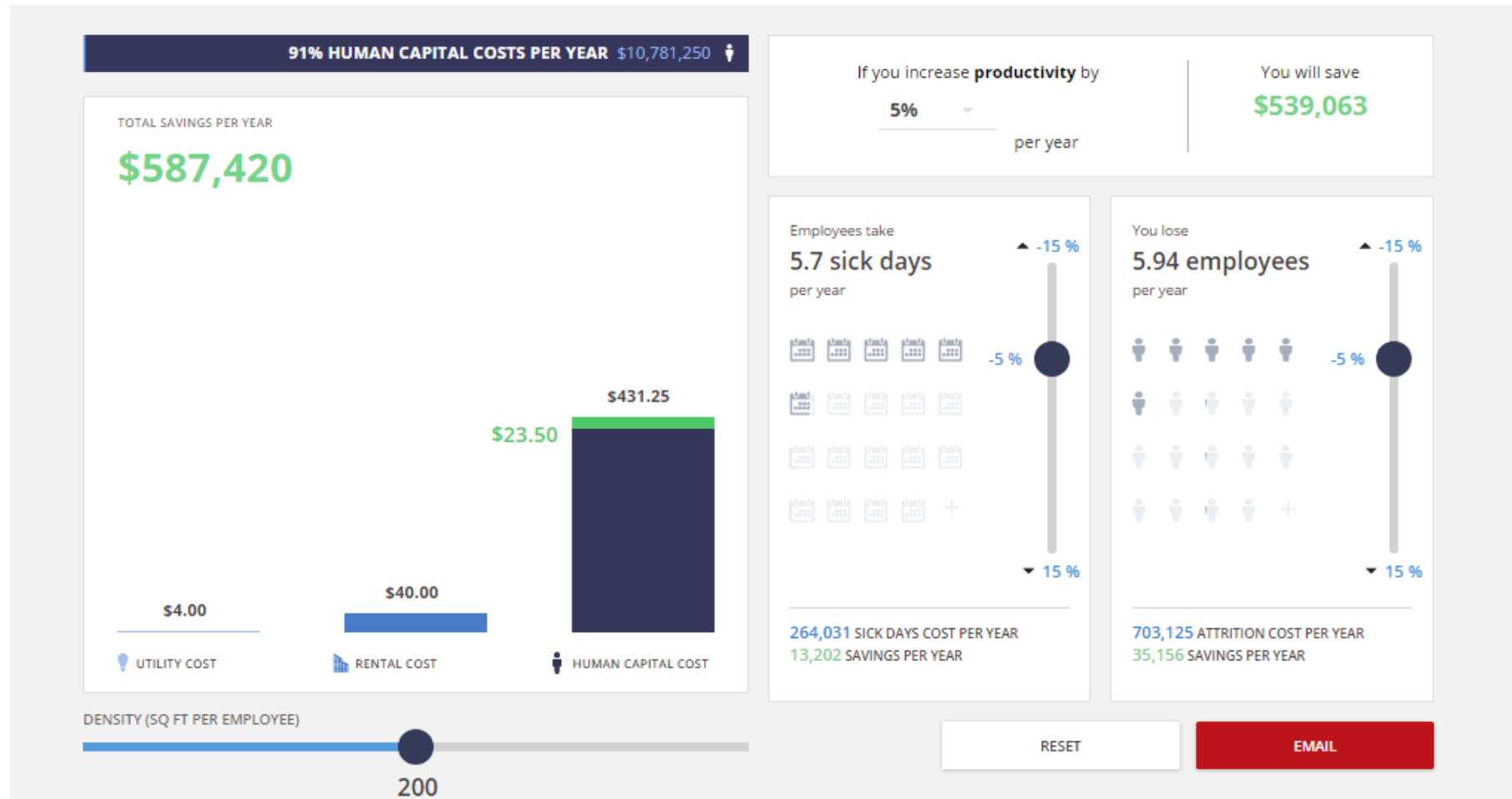
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Thank you.



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