



*In the current economic context, it is essential, now more than ever, to reduce costs. Real estate, as a company's third - and sometimes even second highest operating expense after salaries, offers a significant cost-reduction opportunity that is often underutilized by tenants.*

*Highly experienced in the real estate market with more than 600 clients and 100 % dedicated to tenants with no potential conflicts of interest with owners, AOS Studley is the only real estate consultant that can guarantee optimization of cost-reduction tools throughout your real estate project.*

*Paradoxically, the market crisis is creating many opportunities today for the tenants we support. We have listed seven cost-reduction tools we think companies should review right now in order to make the most of these opportunities. Implementing these tools, alone or in combination, has systematically produced substantial and quantifiable savings for our clients*

Gilles BETHAEUSER  
CEO

## AOS Studley's 7 Keys

*Transform real estate cost constraints into change opportunities for your company*

### 1 Optimize space

Optimizing occupied space is one of the top real estate cost-reduction tools. But space reduction alone, accomplished by fitting more workstations into a smaller area, is not a viable long-term solution. To achieve goals and maintain them over the long-run, other solutions must be sought out:

- **Adopt a design plan :**

- A work environment management tool based on the company's needs
- Support for the company's evolution over the long-term by optimizing space and reducing recurring costs of moves and changes

- **Measure space usage** to identify optimization potential : typically nearly 50 % of workstations are unoccupied at any given time of the day

- **Dynamic space usage** aims to produce space savings and to respond to the changing needs of today's companies. Setting up :

- Project spaces
- Temporary workstations,
- Flexible spaces reserved for specific teams

▶ During the process of choosing a new head office, a **large insurance broker wanted** a design better suited to its new direction.

▶ **AOS Studley** suggested establishing a new design plan. This new 15,000 sqm work environment made it possible to reduce space usage by 30 % and the average cost of an internal move by 50 %, thereby facilitating reorganization within the company.





## 2 Renegotiate leases

Today, landlords prefer to renegotiate leases rather than take the risks and bear the costs related to tenant departures. Various methods are used to increase the scope for negotiation :

- **Financial negotiation**
  - Rent reduction, fixed rent increments
  - Securing rent-free periods and/or participation by the landlord in leasehold improvements
  - Use of differentiated rents based on space quality
- **Negotiation of lease clauses**
  - Ceiling for indexed rent adjustment
  - Repairing covenants
  - Negotiation of vacation and renovation conditions
  - Vacating of units



▶ **A real estate investment bank** established at a 32,000 sqm primary site and an adjoining site wanted to rethink its organization to reduce the amount of occupied space and renegotiate its lease in the general context of cost reduction.

▶ **AOS Studley** assisted the bank with a technical and spatial analysis of the site, helping identify not only potential space savings but also the building's weak points, with the aim of conducting negotiations with the owner. The teams were consolidated into this site and lease negotiation optimization made it possible to put a ceiling on future indexed rent adjustments, reducing the adjustment by **20 %**.

## 3 Consolidate sites

A company's various locations are often the result of its history. The existence of multiple sites is at least a source of actual costs, but also of internal tensions related to different work styles and geographic dislocation. Site consolidation produces economies of scale and control of costs due to increased flexibility, and strengthens the company's image and internal cohesion.

- **Optimize space** through new workplace standards
- **Reduce operating costs** in a new building that meets desired sustainability standards
- **Reduce direct costs related to site decentralization** (space savings due to reduced requirements for spare workstations, archives, catering, etc.) in addition to indirect costs savings (IT links, mail shuttle, etc.)
- **Negotiate the lease** at the new site and secure financial participation by the landlord in leasehold improvements
- **Achieve productivity gains from employees** thanks to new synergies and a more comfortable work environment



▶ **A telecommunications operator** with 24 sites around Paris wanted to launch a reorganization project while reducing its occupancy costs.

▶ **AOS Studley** headed up a comprehensive real estate support project (legal, financial, technical, change management, etc.) working from analysis of existing situation to scenario modelling, and identified a site to be developed that would allow for consolidation of all teams while reducing occupancy costs by 50% with a ROI of less than two years.



### 4 Relocate head offices

Moving away from downtown areas to reduce rent is still the first reflex when companies think of reducing costs. But to make full use of this advantage, and to avoid downgrading your employees' working conditions, a high-quality building must be chosen and the best possible outcome of negotiations with the owner must be achieved. To do so, it is essential to consider several competing sites so that architectural and technical differences can be assessed, the site that best fits the future tenant's needs can be chosen, and tenants can take advantage of offers from various owners...

- Chose a **new building that meets desired sustainability standards**
- Optimize space using **new workplace standards**
- Reduce **operating costs** with a new "green" building
- Identify a site where **flexible work styles** are implemented to reduce the cost of internal moves
- **Seek assistance during negotiations**



### 5 Build your own premises while remaining a tenant

In every corporate real estate operation, the tenant creates value since signing a fixed lease guarantees the owner continuous rent flows. This value can be equitably shared among developer, investor, and tenant in the context of a tailor-made project that allows the client to have a building constructed that fully suits his needs.

#### Project structuring :

- Optimization of occupancy costs and rental conditions
- Lease clause adjustment
- Opportunity for tenant to choose future landlord
- Consideration of tenant's specific technical needs
- Having use of a site that is fully tailored to the company's needs and potential growth.



▶ **A distributor of cultural products** was established at a main site in Clichy and at two other small sites nearby and wanted to achieve significant savings by relocating to a single 16,000 sqm site in the outer suburbs of Paris **AOS**.

▶ **Studley** analyzed the various potential scenarios and identified a site very close to DT (a new, functional and flexible building), making it possible to head up a project to garner employee support and reduce recurring costs by **29 %**.



▶ **An international group in the service sector** had seven sites totalling more than 20,000 sqm. It wanted to streamline and modernize its buildings while remaining in the same geographic area, but there were no proposals that fitted its needs.

▶ **AOS Studley** launched a customized operation for the tenant by identifying a parcel of land, defining the specifications of the future building, and organizing the builder/architect competition and the call for bids from investors. The tenant now has an 18,000 sqm custom-built building, with occupancy costs 30 % lower than what it would have had to pay by renting an existing building.



## 6 Rethink work environments

Be a part of changes in society and the working world: technological and managerial changes are facilitating a new approach to the work environment. Even as it supports these changes, real estate also has significant optimization potential while contributing solutions to the company's most fundamental issues.

### Rethink the work environment:

- Align the work environment with the company's strategy
- Facilitate change in management styles
- Anticipate social change

### Cost Reduction:

These reflections will have an impact on work organization and workplace environments (alternative use of space, telecommuting) as well as location (consolidation, satellite offices, etc.) and will help reduce the costs of future adaptation.



## 7 Think flexibility (of space and leases)

Growth or reduction in headcount is often difficult to anticipate more than three years into the future. However, when signing a lease, tenants must commit to renting a given amount of space for the next five, ten, or even fifteen years! Researching flexible solutions is essential to dealing with economic uncertainties and avoiding additional costs related to staff changes:

### Negotiate options for subletting to subsidiaries but also to third parties. Present an option to vary the amount of space during the term of the lease:

- Include a right of first refusal on adjacent space
- Negotiate early lease break options
- A progressive space lease enables companies to handle growth needs without having to rent up front the total space that will be needed in several years.



▶ A large European public service authority wanted to conduct an in-depth study on the quality of services provided to users. In particular, it wanted to rethink its organization so that it would be more client focused and its work environment supportive of this goal.

▶ AOS Studley set up an innovative design method in support of this organizational change, which led to a significant reduction in recurrent costs.



▶ A large law firm was operating out of two sites and wanted to consolidate all its departments into a single site, enabling it to handle future staff changes, but without having to pay additional costs related to leasing a larger space.

▶ AOS Studley identified a site that was not on the market as it was in the process of being refurbished, which made it possible to take all the tenant's specific technical needs into consideration, there by minimizing design costs down the line. During lease negotiations, financial conditions were optimized to give the tenant true flexibility to vary the amount of space being rented. The lease allows for rental of a 7,000 sqm site with an option to increase or decrease the space by 1,000 sqm as the tenant's needs change.

## Seize existing opportunities :

In a crisis period, it is essential that companies know their premises and use this information to turn real estate projects into opportunities rather than constraints.

To accomplish this, it is important to :

- Gather the data necessary to quickly assess the interest of a given project: leases and amendments, rent receipts, building occupancy expense statements, up-to-date AutoCAD design plans, FM contracts, etc.
- This process must be combined with an objective and, above all, exhaustive market watch.

▣ As an independent player in the real estate market **AOS Studley** has access to all available market offers, as well as those “outside the market,” including tenant disposals.

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## Improve energy and environmental performance

Sustainable development combines economic development, social well-being, and respect for the environment. Any type of real estate project that integrates relevant sustainable development measures at each stage of the project will provide an optimal return on investment throughout the building's life cycle, which is in the user's interest.

- **Energy consumption.** The first step when looking at a new building to rent or purchase is to consider its energy performance, including good exposure of the facades to the sun (20 to 30 % of energy consumption depending on the climate).
- **Building maintenance.** 8 to 10 % of maintenance costs can be cut by using best practices, reviewing energy contracts, ensuring the investor also profits from any decrease in energy consumption, etc. 10 to 20 % can be cut through greater efficiency of infrastructure and controls.
- **Upgrade facilities as soon as possible.** Throughout the world, legislation has progressively introduced more stringent energy consumption and carbon emission requirements for real estate, including for legacy buildings. It is important to plan to include facilities upgrades in the planning phase of any upcoming work, rather than leaving it for later. Delaying will lead to higher costs.
- **Reduce employee absenteeism.** It has been proven that a sound and comfortable work environment has a beneficial impact on employee efficiency and wellness. When designing spaces, for example, thought should be given to carpeting and paints without VOCs (Volatile Organic Compounds), smart lighting management, and effective acoustics. In reality, an environmental approach in real estate is an holistic one, from researching a site ; to a the type of building construction ; the choice of furniture ; as well as workspace and maintenance options.