



Data & Insights for Better Business Decisions:

# 2023 Commercial Real Estate & Leasing Trends





# Introduction



**Robert Michlewicz**

Chief Executive Officer



Our solutions enable lessees to take control of their leases.

**The result?** A stronger partnership between tenants and landlords, benefiting both parties.





# Today's agenda

- ✓ '23 Commercial Real Estate Trends
- ✓ The Benefits of Strong Lease Controls
  - Accurate Documentation
  - Agility
  - ESG Reporting Readiness

# VL Data Institute



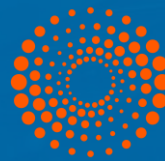
The Visual Lease Data Institute is a collection of market-leading data, trends and insights on lease accounting, management and optimization created and curated by Visual Lease.

accountingTODAY

THE WALL STREET JOURNAL.  
CFO JOURNAL.

Forbes

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THOMSON REUTERS

CIO insights and analysis from  
Deloitte.

# THE WALL STREET JOURNAL. CFO JOURNAL.

CFO JOURNAL

## Corporate ESG Requirements Are About to Ramp Up. Here's How CFOs Can Prepare.

Finance chiefs should focus on three areas when building climate-reporting systems—collecting data, tracking regulation and coordinating with ESG raters

By [Anna Mutoh](#) [Follow](#)

June 2, 2023 5:30 am ET

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### Create a data framework

Once a task force is established, having organizational support and governance is key, said Tim Arndt, chief financial officer of [S&P Global Prologis](#), a real-estate investment trust that owns and invests in logistics facilities. This includes creating a system to capture, store and analyze data, as well as working with the chief technology officer to automate the process, said Suzanne Fallender, vice president for global ESG at Prologis.

One of the biggest challenges for many CFOs is figuring out how to establish a data baseline, or decide which data to collect, Michlewicz said. ESG disclosures are qualitative and can be vague, leading many companies to make bold claims to be net zero by a certain date, he said. But making sure data is accurate and can be tracked is important for figuring out forward-looking calculations.

A common mistake is to focus on getting caught up on systems that have failed to track in the past, opting for a quick fix. However, the right technology for long-term reporting needs should be chosen, he said.

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The Morning Ledger provides daily news and insights on corporate finance from the CFO Journal team.

Preview



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While it might sound tempting to centralize ESG responsibilities in the finance department, which already deals with data and reporting, consultants said that isn't practical given the scope of requirements and breadth of corporate interests.

“What’s unique about ESG is that the stakeholders within the business are not just finance,” said Robert Michlewicz, chief executive of Visual Lease, a New Jersey-based cloud-software maker that helps businesses manage and optimize their leased assets, including real estate.

Instead, he said, companies should create an internal task force that focuses on ESG requirements. Such a task force needs to reach out to leaders across the entire business who will then share data with a centralized team, said Michlewicz, whose company recently established a climate-reporting consulting service for clients.

To help finance chiefs navigate the evolving regulatory landscape, CFO Journal spoke to consultants and executives for tips on managing the coming tide of ESG-related regulations.

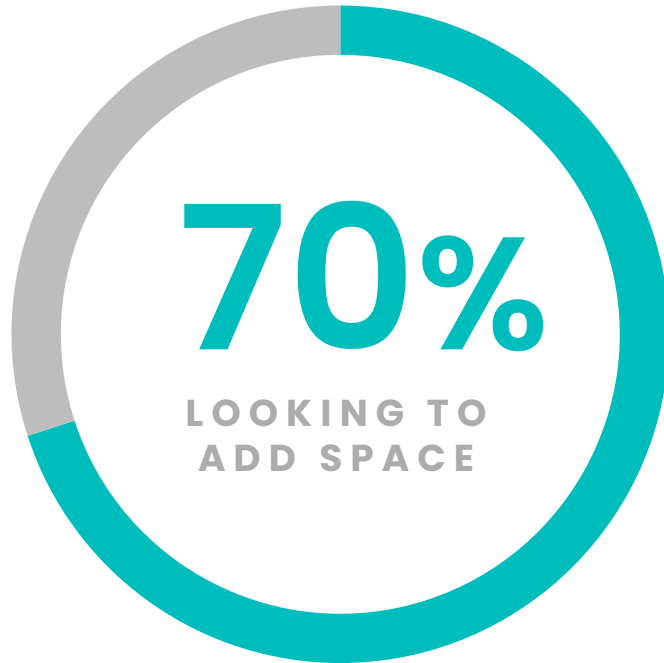
### Understand evolving regulations

Staying on top of the ever-changing rules and regulations is a must, Michlewicz said. The [SEC](#), the European Union's [Corporate Sustainability Reporting Directive](#), or CSRD, and [the International Sustainability Standards Board](#), or ISSB, are the main sources to watch, he said.

The coming SEC climate-disclosure rules, originally [proposed](#) by the agency in March 2022, would require public companies to report climate-related risks and emission data—including the so-called Scope 3 emissions that come from a company's supply chain.

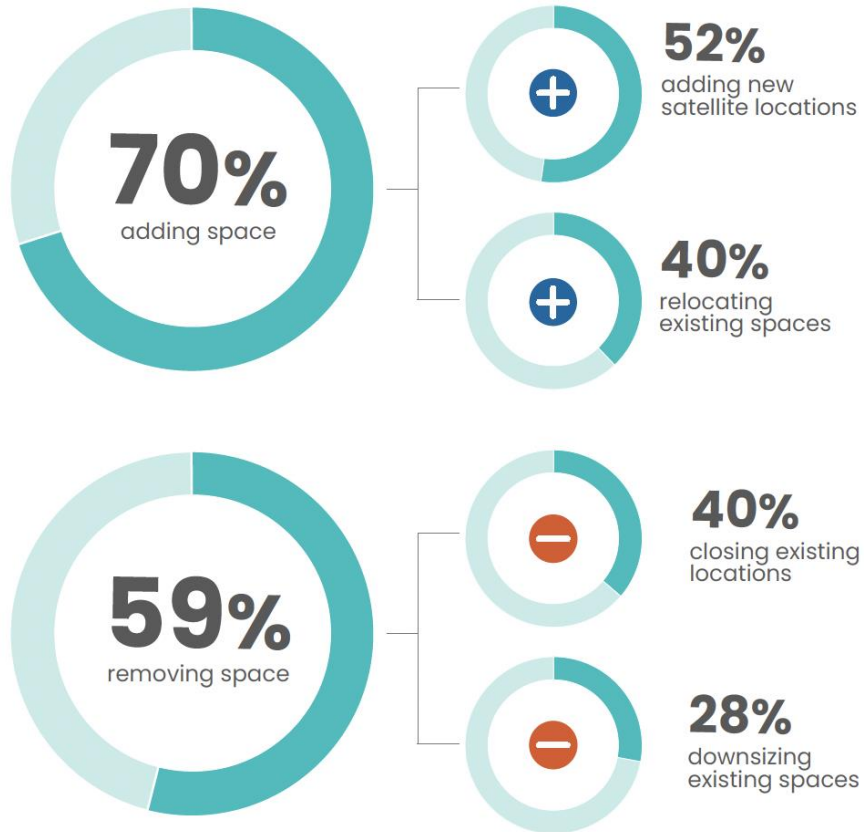
After the pandemic, **flexibility**  
emerged as a leading business priority.

And in 2023, the desire for flexibility  
has **grown at warp speed.**



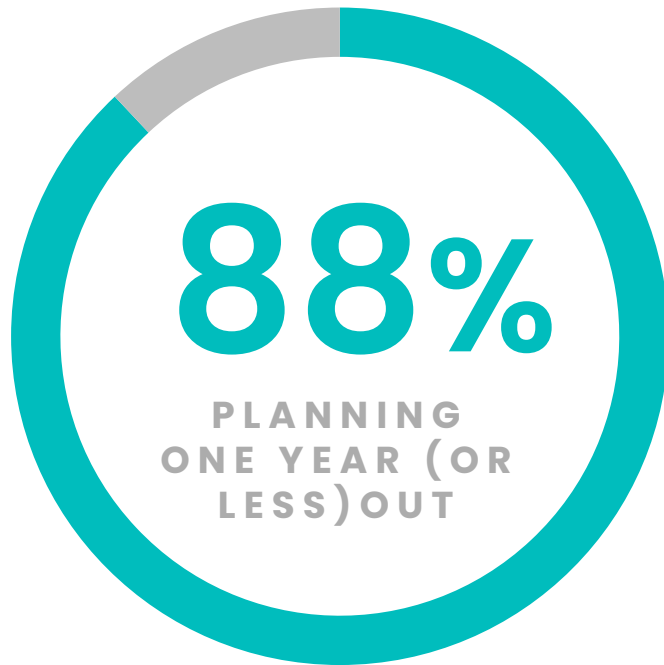
Today, 70% of senior real estate executives claim their companies are looking to **add space** as a part of their real estate strategy for 2023.

# How Less Square Footage = More Leases



While a large percentage of companies (70%) are looking to expand their real estate footprints by **adding new satellite locations (52%)** and **relocating existing spaces (40%)** ...

**59%** of those same companies are also looking for ways to reduce space by **closing existing locations (40%)** and **downsizing existing spaces (28%)**.



However, 88% of senior real estate executives share that their companies are planning for their physical space needs **just one year (or less) in advance**, which is a 151% increase from the previous year.



Short-Term & Pop-Up Leases

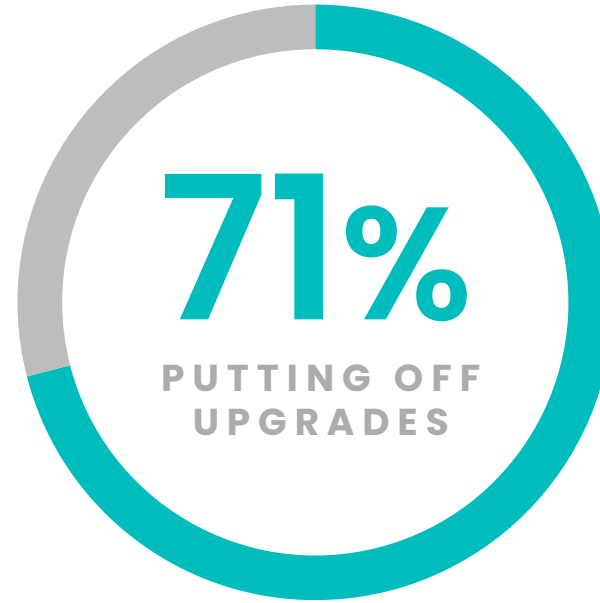


Flexible Termination



Force Majeure Clauses

## CRE tenants are exercising caution.



71% of senior real estate executives report that their companies are **likely to put off making needed upgrades or moving facilities** in the coming year due to the state of the economy.



This year, 46% of senior real estate executives report that shared desks/offices booked as needed are the preferred office working environment for their companies.

# Flexibility = more options

More options **provided by landlords**

More options for **tenants to keep track of**



100% of senior real estate executives believe it is impossible to **sustain lease accounting compliance** without proper lease management practices in place.

# Mismanaged leases cost time and money.



**45%** of senior real estate executives share that their companies have incorrectly paid rent due to inadequate lease controls.

83% of senior real estate executives believe their companies do not have the required **technology, people and processes** needed to successfully manage their **lease-related expenses**.

# Benefits of Strong Lease Controls for Commercial Tenants



Accurate  
documentation



Agility



ESG reporting  
readiness

# Accurate Documentation

Lease controls  
create greater  
**visibility.**

- Better understanding of tax implications and proper treatment in financial statements.
- A stronger likelihood to fully grasp and honor financial obligations.

## Potentially Missed Opportunities/Outcomes:



Deferred Payment  
vs. Rent Deduction



Unanticipated  
Taxes



Default Under  
Debt Covenant



Variable Rent  
Payments

# Accurate Documentation

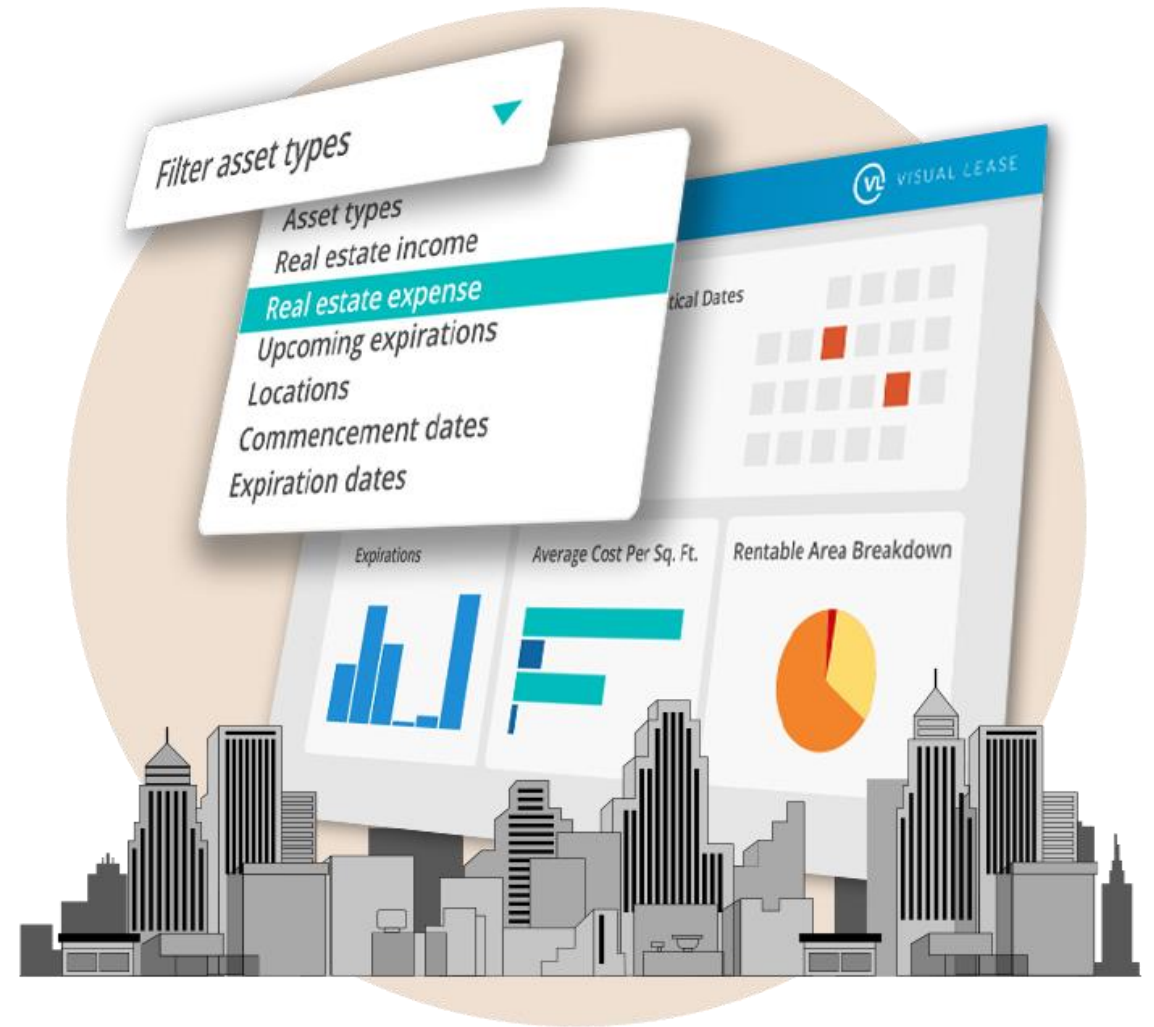
Lease controls  
create greater  
**visibility.**

- Better understanding of tax implications and proper treatment in financial statements.
- A stronger likelihood to fully grasp and honor financial obligations.
- Improved, transparent communication between lessors and lessees.



During the height of COVID-19, companies struggled to make rent, with more than three in five (61%) tenants sharing that their company fell behind on payments during the pandemic.

Only **10%** of senior real estate executives believe they have access to all the data they need to make an informed decision about their company's lease portfolio.



# Agility

A centralized view allows companies to **make better use of their lease data.**

- React to changing circumstances by exercising beneficial options
- Use past lease performance to dictate terms of future agreements
- Integrate lease accounting & lease administration platform with other BI tools for unique insights

# NEWMARK

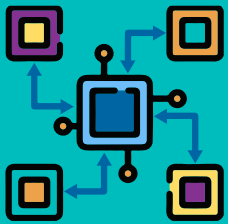
Real Estate  
~5,500 Employees

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Newmark is a world leader in commercial real estate.

For decades, it has delivered an array of strategic brokerage services to its broad client base, including owners, occupiers, investors and founders.

Using VL's Integrations Hub, Newmark was able to leverage **property data** to create **customized dashboards** to inform its clients about **critical dates**, provide **space occupancy updates** and flag **potentially dangerous weather conditions**.



The Integrations Hub allows users to automate data exchange across ERPs, Business Intelligence (BI) tools and other systems of record to streamline the delivery of critical, time-sensitive business insights.

*“The whole mentality of the workplace is changing, and that means that businesses are looking at their portfolios – with Visual Lease, organizations can understand their options and act on them in a timely manner.”*

**NEWMARK**

– Carla Hinson, Executive Managing Director of Global Technology at Newmark



**99%** of senior real estate executives believe it is important for their company's future leases to reduce its carbon footprint.



# Why do organizations focus on ESG?



## Financial Performance & Access to Capital

- Positive correlations between ESG & financial performance
- Helps investors understand risks around emissions, operations, or supply chains

**McKinsey** found that ESG strategies can reduce costs and can affect operating profits by as much as 60%.



## Regulatory Compliance

- City Regulations
- State Laws
- Industry Standards
- Pending SEC Guidance
- Global Regulations (ISSB Standards)



## Brand Reputation

- Transparent progress towards a sustainable economy

**PwC** noted that 76% of consumers will stop buying from companies that treat the environment, employees, or the community in which they operate poorly.



## Environmental Impact

- Reduce carbon footprint & engage in ethical business practices



**94%** of companies do not have fully established ESG programs in place with **more than a third** having just started the process.

# ESG Reporting Readiness

Full access to  
lease portfolio  
data **enhances**  
**organizational**  
**sustainability.**

- Track a wide variety of environmental factors
  - Energy consumption
  - Water usage
  - Waste management

# ESG Reporting Readiness

Full access to lease portfolio data **enhances organizational sustainability.**

- Track a wide variety of environmental factors
  - Energy consumption
  - Water usage
  - Waste management
- Identify areas where shifts can be made to meet internal and external goals

“What’s unique about ESG is that the stakeholders within the business **are not just finance**,” said Robert Michlewicz, CEO of Visual Lease, a New Jersey-based cloud-software maker that helps businesses manage and optimize their leased assets, including real estate.

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*- As reported in the CFO Journal in June 2023*

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Specialty Trade Contractors  
~3,000 Employees

*"We've used Visual Lease as our **system of record** for our portfolio of facility, automobile, and equipment leases –and feel that they are well positioned to **expand and provide meaningful value** into the complex landscape of ESG reporting."*

– **Thomas Tobolski, Treasurer, MISTRAS Group, Inc.**



Construction  
~8,500 Employees

*"Our business is committed to **reducing its direct carbon emissions**; solutions like this will enable us to **streamline reporting** on key environmental data points across our portfolio of leased and owned assets."*

– **Jon Hunke, Vice President, MDU Construction Services Group**



Real Estate  
~20 Employees

*"Tracking and reporting on environmental data is becoming a **fundamental element** of all aspects of commercial real estate, including lease administration. The ability to **track, store, and report on environmental data** using an existing technology offers users a range of **opportunities and efficiencies.**"*

– **Jamie Covert, President, Scribcor Global Lease Administration**

# Benefits of Strong Lease Controls for Commercial Tenants and Landlords



Accurate  
documentation



Agility



ESG reporting  
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# Questions?

Check us out at  
[www.visuallease.com](http://www.visuallease.com)

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