

# CASE STUDY

**Knight Frank**



## **United Technologies Corporation**

### **Location, size and uses:**

UTC is a \$42.7 billion US Corporation including Otis, Carrier, Chubb, Kidde, Sikorsky, Pratt & Whitney, Hamilton Sundstrand and UTC Power, supplying high technology products and services to aerospace and building systems industries worldwide.

The UTC portfolio in Europe, Middle East and Africa, including Russia (EMEAR) extends to over 30 million sq ft in 2,450 locations across 30 countries, including major holdings in France, Germany, Italy, Netherlands, Russia, Spain, Czech Republic, Sweden and the UK.

The portfolio is a diverse mix of office, warehouse and manufacturing properties, covering a wide size range and is a combination of owned and leased space.

### **Brief**

Knight Frank is appointed on an exclusive contract for EMEA to provide portfolio audit, lease administration, strategic advice and transactional implementation services. We also provide rent reviews, rating advice, dilapidations and full occupier management for UK subsidiaries.

Knight Frank provides a regionalised Account Management structure with full-time dedicated Account Managers located in UK, France, Germany, Spain and Italy either based in Knight Frank's offices or within the clients own facilities.

The appointment emanated from UTC's need to centralise and control the group real estate function as well as the implementation of a worldwide cost reduction initiative. The Knight Frank team had to integrate quickly and effectively, at the same time obtaining the buy-in of UTC business units through direct communication and marketing efforts. Processes for transactions and ongoing management were established swiftly and rolled out across the organisation.

The key to the success of the partnership and understanding the portfolio was the collection of all leased and owned property data which was gathered from the various regional business units and establishing a central portfolio database.



### Actions & Outcomes

UTC's Connecticut based in-house international real estate management team (UTR) comprises only three members and Knight Frank are seen as an extension of the internal core team. There is also executive sponsorship from senior management within the UTC business units throughout EMEA, and KF/UTR manage local relationships through these key contacts.

- Previously there was no centralised real estate function within UTC; business units can now draw upon a service delivery model that provides a consistent level of service throughout the region with centralised resources, processes and IT.
- No real estate transaction takes place without UTR/KF approval.
- An 8 Step real estate process has been developed, providing a global platform for a standardised process for all real estate transactions.
- A web-enabled database and project tracking system provides UTR, account managers and customer/clients with instant, 24/7 access to portfolio information and key project information, including scanned documents and contact details.
- The database now drives financial reporting and is used across a wide variety of general procurement/supply lines and is vital under Sarbanes Oxley and other corporate reporting requirements
- UTC Annual NPV Real Estate Savings Targets are set as part of a company wide Savings Initiative and are also measured as part of Knight Frank's KPI's (Over \$100 million NPV Savings to date. Exceeded targets for last 5 years.)

As a result UTC has a fast, responsive real estate process, and has more control over its real estate spend than ever before.

**NB** Knight Frank controlled and implemented the data collection and lease abstraction process together with the input and qualification of relevant information onto the real estate database.

Having gathered portfolio information the focus has transitioned to strategic analysis of the portfolio, reviewing consolidation opportunities and developing cost reduction strategies with the local business units. This data has provided the tool to enable timely and pro-active property solutions to be taken to business units, cutting costs and assisting in the wider goal of assimilating a multitude of different businesses under the UTC umbrella.

The Knight Frank Account Managers are now using this qualified data in conjunction with their detailed knowledge of their local customer needs to identify strategic opportunities such as:

- Potential for Intra and Inter business unit consolidations and co-locations
- Analysis of key lease data in connection with vacant / redundant / surplus space and current rents versus market levels
- Analysis of space efficiency and reporting metrics
- The development of strategic studies / city master-plans for key locations
- Review of highest cost facilities

Critical date notifications



### KPMG, United Kingdom

**Brief** To provide a full non-occupational management solution, including treasury services to KPMG's void/vacant and sub let portfolio across the UK. To actively reduce and wherever possible eliminate the residual liabilities to KPMG for UK surplus space. At the outset of the instruction the portfolio comprised approximately 26 leased properties with 38 subtenants.

**Key  
Objectives  
and  
Constraints**

- In 2006 the remit was extended to include transaction management across the UK through Knight Frank's regional offices or with existing 3rd party service providers where already engaged in projects.
- To provide and maintain an up to date property database with Open View Occupier secure client access.
  - To co-ordinate the clients portfolio and identify surplus property. This involved identifying opportunities to reduce / eliminate residual liabilities.
  - To identify superior landlord charges paid centrally by KPMG and then ensure recovery of these from their sub tenants.
  - Provide full treasury management services.
  - Provide an extension of the in-house real estate team in managing and reporting on nationwide projects.



### **Actions & Outcomes**

Since appointment in 2001 Knight Frank LLP has co-ordinated the rationalisation of the portfolio, with a managed approach through its network of UK offices, by an aggressive programme of surrendering, assigning and sub letting vacant space. This sometimes involves working with third party local property agents where this approach and service is to the client's benefit.

The Occupier Property Management team handles the day to day management of the portfolio to maximise the rental, service charge and other recoverable income from the sub tenants totalling £1.6 million pa currently. 100% of rents collected within one week of quarterday.

The scope of services also extends to integrated business rates advice and managing the appeals process for south-eastern UK region.

Due to the success in managing the portfolio since 2002, the portfolio has been actively reduced to 13 leased properties with 16 sub tenancies.

**The contract duration is ongoing, without a fixed termination date.**

**NB** The reduction of the ongoing liability to KPMG by subleasing, surrendering, exercising break options in KPMG head leases, maximising the rental income from sub tenants on rent review and the recovery of service charge / administration costs from their sub tenants together with reduction of arrears and late payments.

**The integrated managed approach involves the following Knight Frank service lines:**

- Occupier Property Management
- National Office Agency
- Regional Agency Teams
- Professional / Landlord and Tenant
- Business Rates
- Building Consultancy

**Reduction of 50% in the number of leased properties and reduction of 58% in the number of subtenants.**