ROI calculation

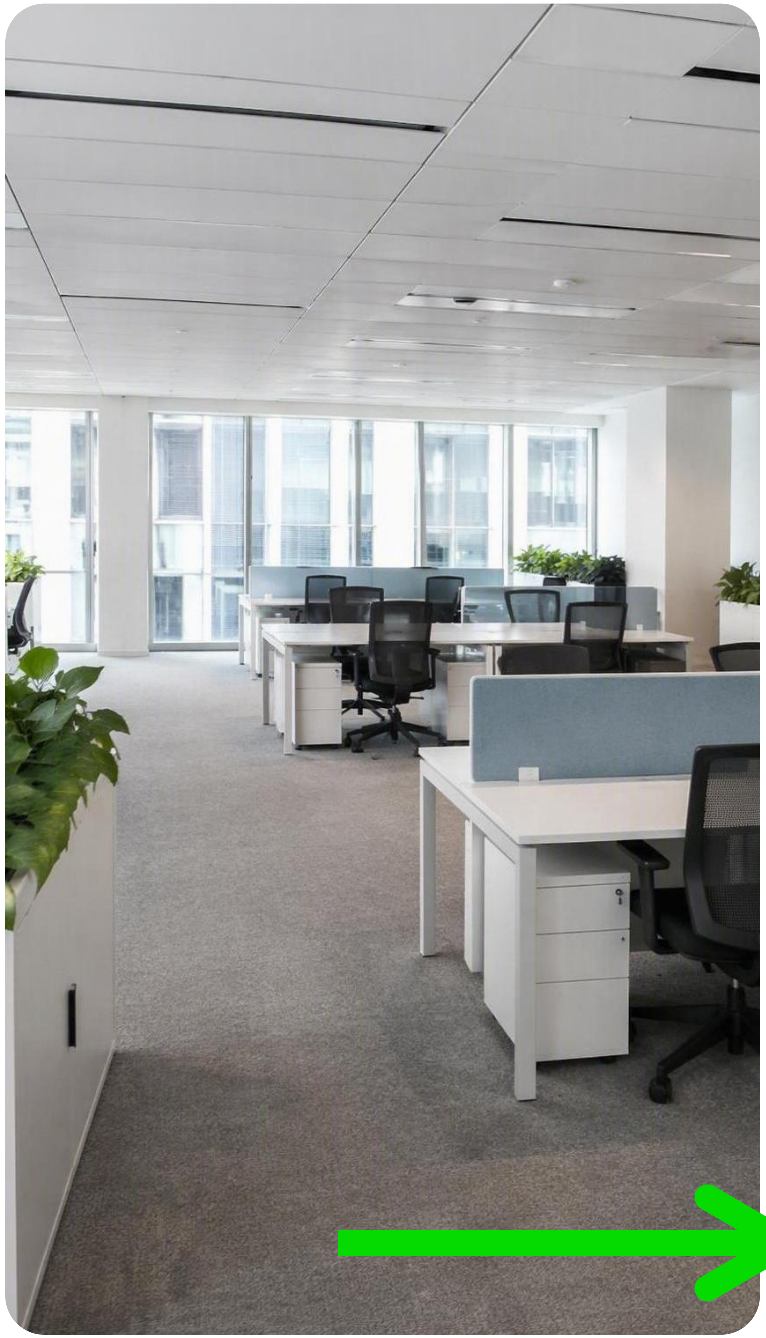
1) Office space optimization

Improves office utilization from **56%** to **75%**, required space factor is:

56% ÷ 75% ≈ 0.747 → needs 74.7% of current space → this **frees up 25.3%**

- Applied to **240,000 sq ft**, × 25.3% = **60,720 sq ft** (5,641 m^2)
- Rent savings offices: 60,720 × $30 = **$1.82M**
- O&M savings offices: 60,720 × $10.33 = **$0.63M**

Note: Smaller locations are excluded from utilization-based optimization because data quality and lease flexibility vary across that part of the portfolio. This creates potential upside not captured in the model.



ROI calculation

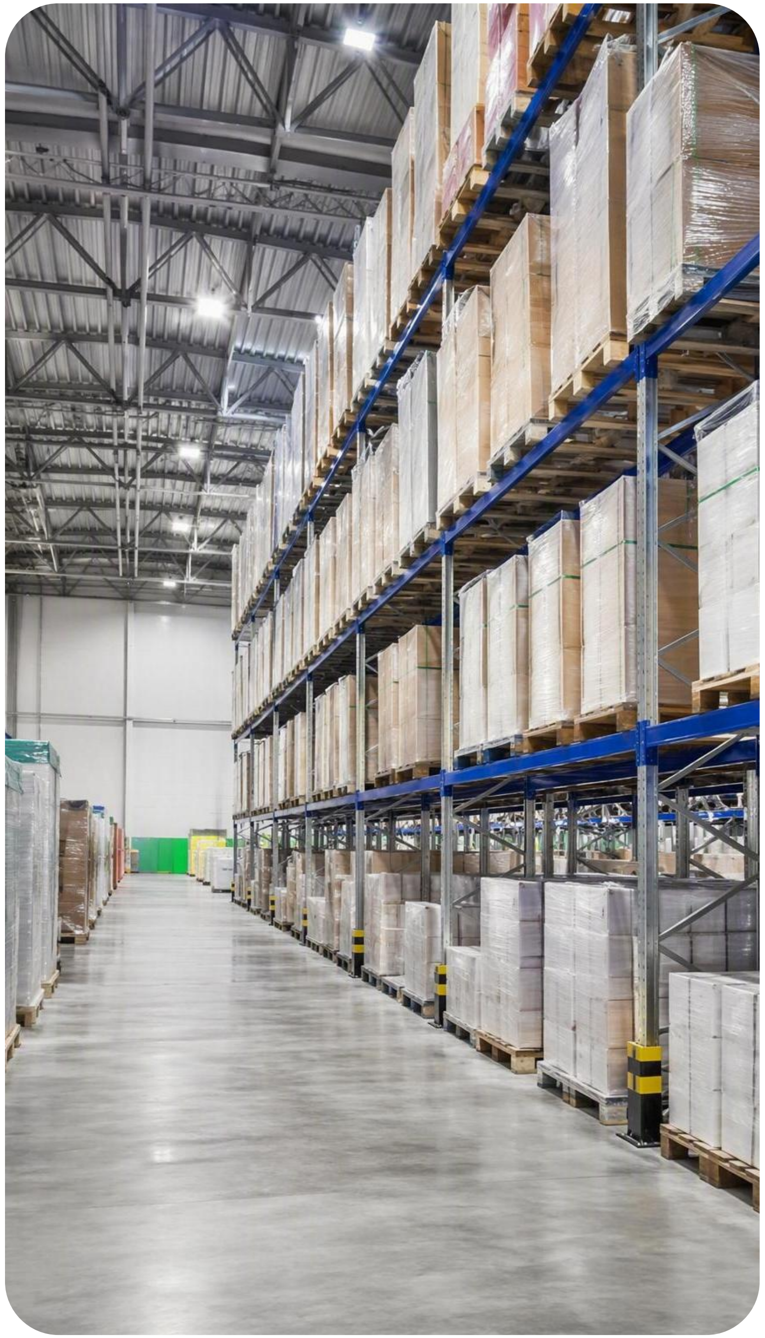
2) Hub right-sizing

Improves hub utilization from **75%** to **83%,** required space factor is:

75% ÷ 83% ≈ 0.904 → needs 90.4% of current space → this **frees up 9.64%**

- Applied to **400,000 sq ft**, × 9.64% = **38,560 sq ft** (3,582 m^2)
- Rent savings hubs: 38,560 × \$10 = **\$0.39M**
- O&M savings hubs: 38,560 × \$10.33 = **\$0.40M**

Warehouse capacity used and floor area are related but not identical measures. Hub right-sizing assumes consolidation releases floor area proportionally.



ROI calculation

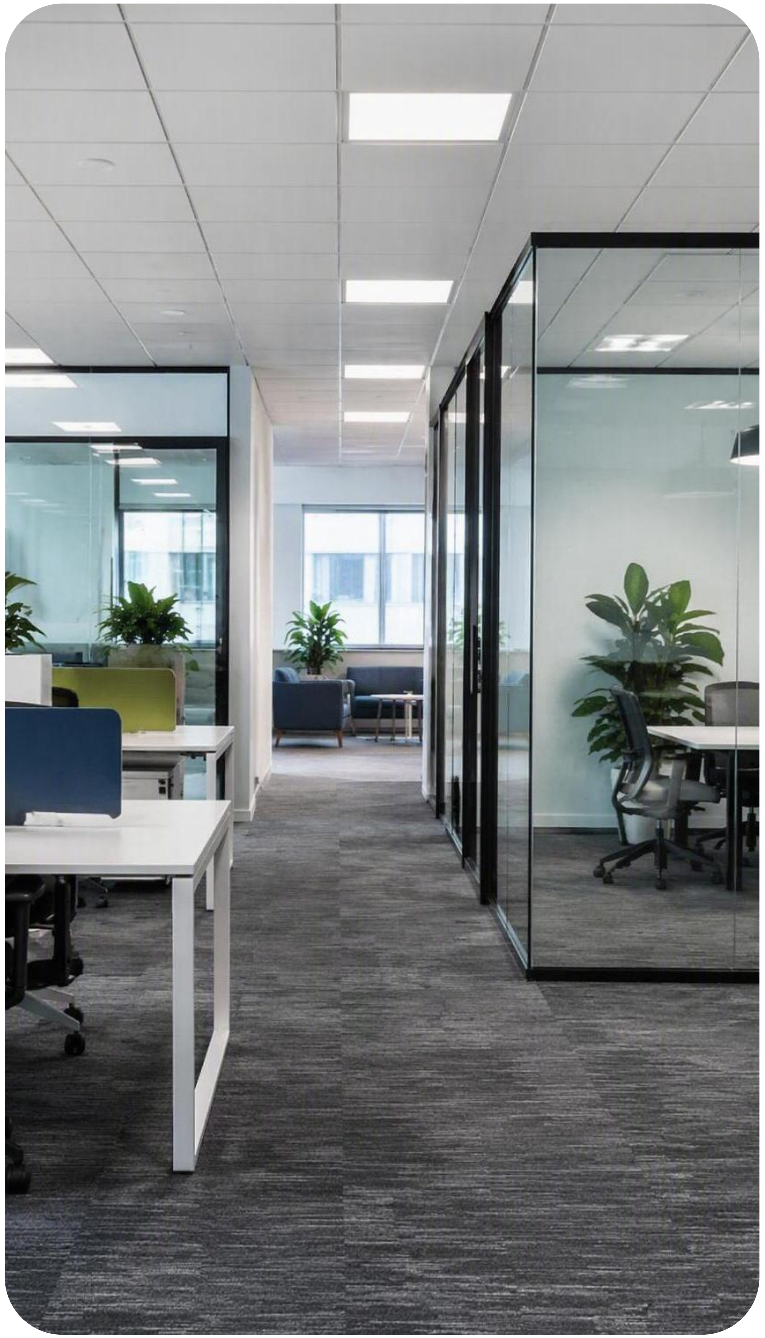
3) Released space: cost savings and rental income

Total freed rent value: $1.82M office rent + $0.39M hub rent = **$2.21M**

Total freed O&M value: $0.63M office O&M + $0.40M hub O&M = **$1.03M**

- **Rent savings** exited space: 50% × $2.21M = **$1.10M**
- **O&M savings** exited space: 50% × $1.03M = **$0.51M**
- **Rental income** remaining space: 50% × $2.21M × 70% = **$0.77M**

Note: Exited/vacated space and let space are treated as mutually exclusive, so no square foot generates both a cost saving and rental income. For leased space that continues to be let to a subtenant, head rent and O&M continue to be paid, with only rental income recognized. Owned space that is let has no head rent to offset.



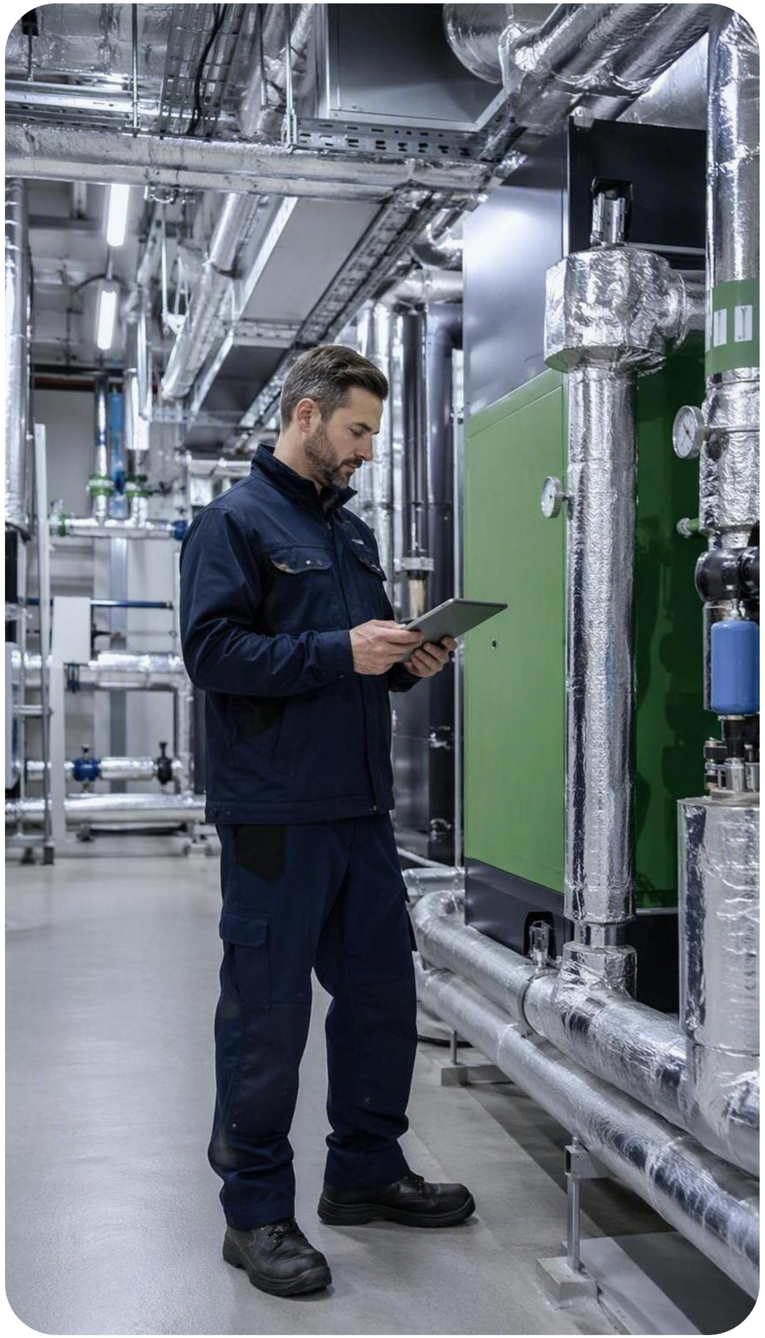
ROI calculation

4) Operations & maintenance (O&M) efficiency

8% on remaining footprint

- Remaining footprint: 1,640,000 sq ft total portfolio – 99,280 sq ft vacated space = **1,540,720 sq ft**
- Remaining O&M: 1,540,720 × $10.33 = **$15.92M**
- × 8% gain = **$1.27M**

Note: 8% is applied as a deliberately conservative, portfolio-wide assumption. Savings are weighted toward controllable operational categories such as utilities, cleaning and maintenance, rather than fixed items such as management fees and insurance. Actual gains vary by estate and maintenance regime.



ROI calculation

5) Lease leakage reduction

0.5% of remaining rent

- Remaining rent: $31.20M – $1.10M = **$30.10M** (rent on let space still being paid)
- × 0.5% = **$0.15M**

Note: Lease leakage refers to recurring costs from missed break clauses, auto-renewals, unchallenged service-charge increases and rent overpayments.

ROI calculation

6) ROI metrics

- Net annual benefit: **$3.21M**
- Payback period (post go-live): $1.8M ÷ $3.21M ≈ 0.56 years, **approx. 6.7 months**
- 5-year NPV (10%): **$10.38M**, held flat across 5 years as a steady-state run rate.
- Approx. **6.7% reduction in annual occupancy costs**

Value driver	Annual impact
Rent savings	**$1.10M**
O&M savings	**$0.51M**
Rental income	**$0.73M**
O&M efficiency	**$1.27M**
Lease leakage reduction	**$0.15M**
Gross annual benefit	**$3.81M**
Annual subscription	**($0.60M)**
Net annual benefit	**$3.21M**

Note: Figures are shown as a steady-state annual run-rate once portfolio targets have been reached, not as a Year 1 projection.