

Why a proactive development of CRE advisory services is paramount

Background

Supplying real estate advisory services to corporate occupiers is a relatively stable market for the property industry. In addition, corporate real estate (CRE) contracts remain a sought-after commodity for advisors who want a regular estate management income and access to a lucrative transactional income.

Despite this, all too often corporates do not get the standards of service they require to meet their business objectives, or give property the appropriate recognition within the business. Recognition of the importance of property is one of the key factors influencing productivity for any business, big or small. This is only achievable when the service provided by property or CRE services is coherent, integrated and focused on delivering bottom-line business benefit - not transactional completions.

As we have seen throughout the last decade with the boom and bust, Scottish in/out referendum, banking crisis, oil price highs (and lows), and now Brexit, corporate occupiers are operating in an ever changing dynamic environment. This is nothing new and will certainly not diminish in the future.

Because of this dynamic environment, corporate occupiers need consistent and accurate service delivery – the professional basics. However many will have experienced CRE services where mistakes have been made, or where objectives have diverged between them and their advisors. In addition, advisors can often struggle to deliver corporate services through intelligent joined-up channels which respond quickly and flexibly to changing business needs.

Approach

The problem starts with service providers' interpretation of their client requirements. Occupiers view the outsourcing of real estate services as a way of transferring in-house functions (including the risks and management associated with them) to an external partner, who will act in the same way they would. On the other hand, service providers often view outsourcing as a request to undertake a series of transactions – a subtle, but important difference in approach.

It is easy to forget that corporate occupiers are looking for the same level of service, commitment, control, collaboration, and responsiveness from their external partners, as they would receive from their own in-house team.

This divergence of interpretation permeates every element of CRE service delivery and can prevent CRE service providers becoming fundamental, long term, business partners – a position that they are perpetually looking to achieve.

As such, there are few long-term relationships between service providers and corporate occupiers. Only where the individuals within the supplier chain have recognised this issue, sought to work around the 'norm' and truly focused on supporting core business needs have long-term value adding relationships been sustained. Such individuals can be found in both camps; individuals within suppliers working outside the inevitable service silos and/or local P&Ls, and individuals within occupiers working around the inevitable distrust of long-term partnership from procurement.

Joined-up Service Delivery

Achieving excellence in services for corporates is further hampered by teams within suppliers persistently not communicating with each other. Silo service delivery is still the standard approach, with each team focused on its own fee target and bonus thresholds. Few are 'joined-up' in their service provision.

Corporates want cross-market intelligence, idea sharing, strategy, and incremental added-value. They clearly want their transactions completed, but they want these done in line with their expectations and business needs, not in line with the supplier's in-year or in-month fee target. More than this though, they want their service partners to be continually looking for ways of improving and ways of giving better outcomes for the client. Something rarely considered.

Integration/collaboration

In a similar vein, suppliers have generally not been able to integrate service delivery and share intelligence with other client partners. For example, estates suppliers collaborating with facilities or capital projects.

Suppliers often blame lack of cross supplier communication on each other's lack of understanding of their services, time, cost, incompatible systems, data propriety, or the old chestnut 'commercial advantage'. The truth is that suppliers can view information sharing as diversionary (to their objectives) and a barrier to their long term service delivery, rather than an opportunity to add value.

CRE suppliers should remember that occupiers, like every business, are always looking for the next area of cost savings and efficiencies. All property services suppliers of whatever discipline will help clients achieve this and therefore win greater favour with their clients if they collaborated with other client partners.

Globalisation

Fueled by the difficult economic climate, most corporates continue to challenge suppliers, consolidate operations, and deliver across ever-wider geographical areas.

It can often be difficult for CRE suppliers to share information, objectives, targets, ideas, best practice, concerns, progress, and manage service delivery within their teams in the same country. To do this successfully internationally and manage a global mandate is even more of a challenge.

Corporates who operate internationally are increasingly seeking credible global suppliers as they strive for further consolidation, savings, and efficiencies. They will continue to move towards global supply agreements as they look for economies of scale. CRE suppliers need to be prepared to deliver effectively in this arena.

Strategy

Many CRE suppliers are not clear what 'providing strategic support' means. For a corporate occupier, strategy from CRE means a contribution to the business vision, service innovation and improved profitability. Suppliers wrongly interpret strategy as simply the need for initiatives which drive transactions – relocations, consolidations, and disposals.

For the corporate, strategy goes beyond just transactions and could mean supporting to reduce internal headcount or changing the working cultures as well as releasing value. CRE suppliers would add greater value to their clients by recognising this requirement and identifying opportunities to help their client achieve their strategic business goals.

Information and reporting

When it comes to reporting first-class, accurate, immediate, and flexible property information, many suppliers struggle, as well as with consolidated, decision supporting, integrated intelligence. Normally, there is significant manual intervention within the client, supplier, or both, required to consolidate multiple streams of data into business focused metrics such as total occupancy cost cross referenced with headcount growth and employment rates. This severely limits the value attributable to the base data provided by individual suppliers to business leaders.

The information provided needs to be proactive or forward-looking. The modern corporate has an insatiable desire for intelligence and advance warning of risks and opportunities, and for reporting which is interactive, graphical, intuitive, multi-layered, and accessible.

The Future

So what is the solution to these shortfalls? The occupier's thirst for savings and efficiencies will not diminish.



Intelligent
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Both suppliers and occupiers must recognise the benefits that can be driven from the proactive development of CRE services:

Suppliers need to:

- Challenge their practices to develop new ways of working
- Consolidate services
- Work with other supply lines
- Structure their teams and services in a way which aligns to the client's business needs
- Focus remuneration on business outcomes and client satisfaction and not, purely, on transactional completions.

Occupiers, for their part, must:

- Have a clear strategy and set of business objectives to meet when they contract with a supplier
- Focus their selection process on who best aligns to these objectives and not simply on who has the lowest unit transaction cost.

If these changes were made, both suppliers and occupier clients would enter services contracts with a greater understanding of the long term success requirements. The changes would enable the client's objectives to permeate every area of service delivery and positively focus key performance indicators onto areas of real business benefit.

On this basis, the foundations would at least be in place for a long-term beneficial client/supplier relationship - the thing that is actually most sought after by both suppliers and occupiers alike.

**For more information please contact any of our Principals on 020 7101 0200 or
Graham Halkyard, Director, Global Occupier Solutions: graham.halkyard@avisonyoung.com
+44 (0)20 7046 6516**

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