

The 3rd CIPSA Category Management Forum

Property, Real Estate and Facilities

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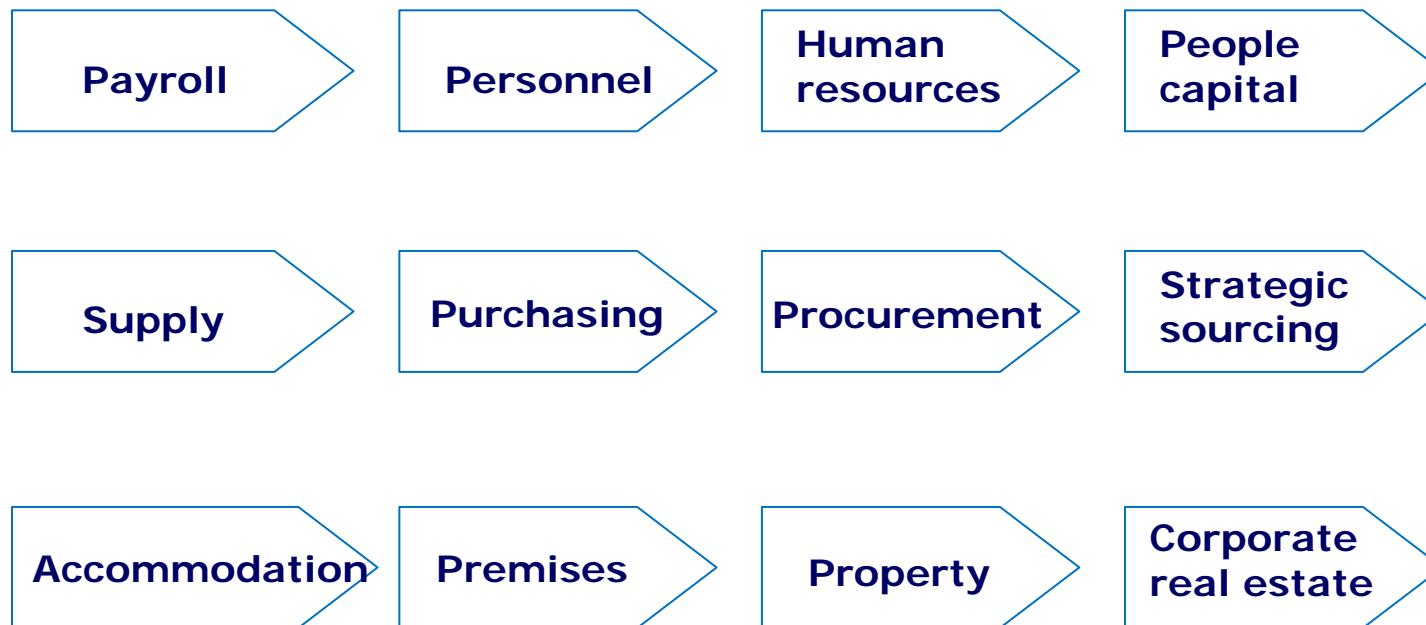
1 – The property category

**Where does property fit into
your organisation and what the
hell is CRE?**

Terminology

- **FM - facilities management**
- **CRE - corporate real estate**
- **TOC - total occupancy cost**
- **/sqm – rate per square metre**
- **WIP – work in progress**
- **WS – workplace services**
- **PM – project management**

Corporate perspective



1980s

1990s

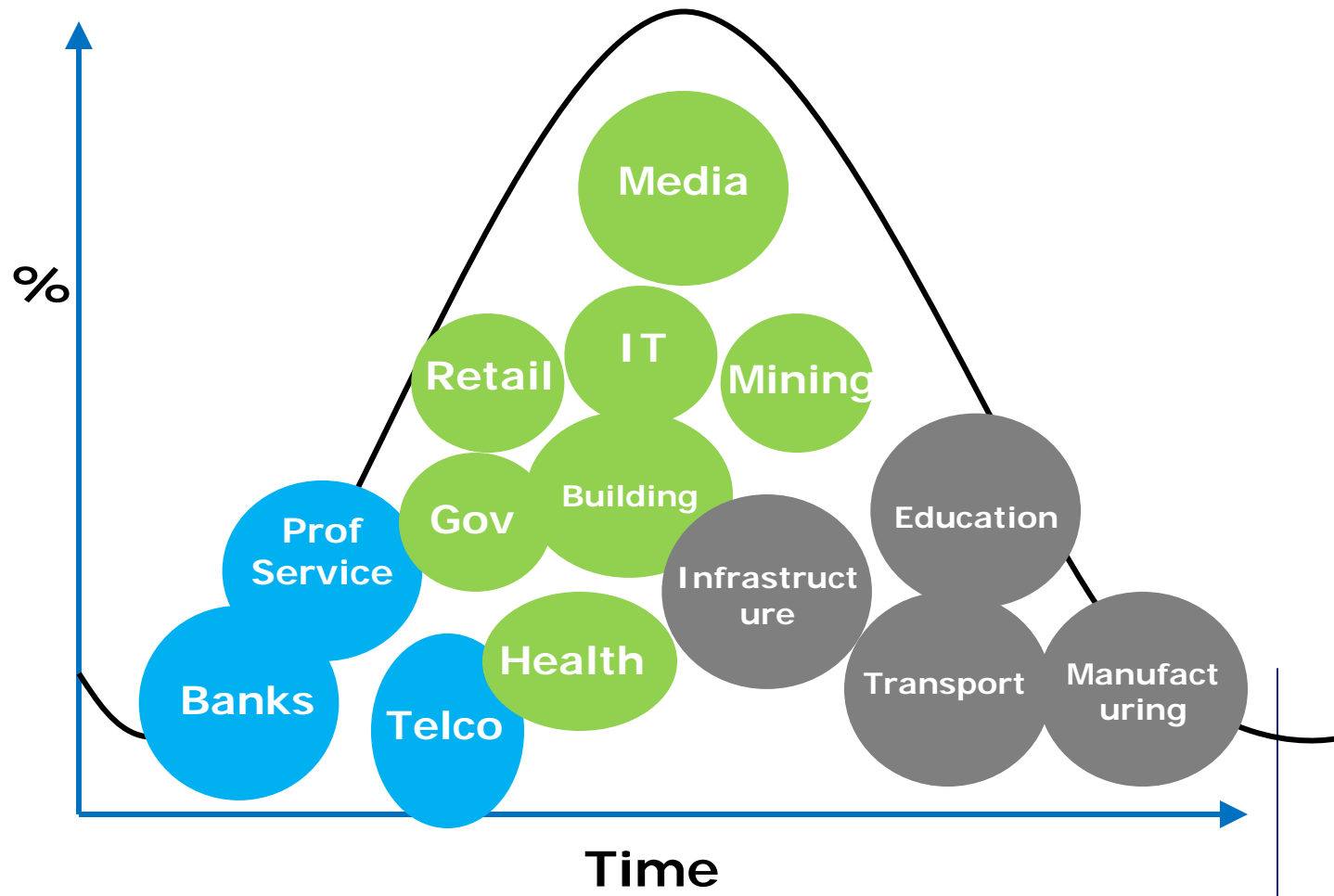
2000s



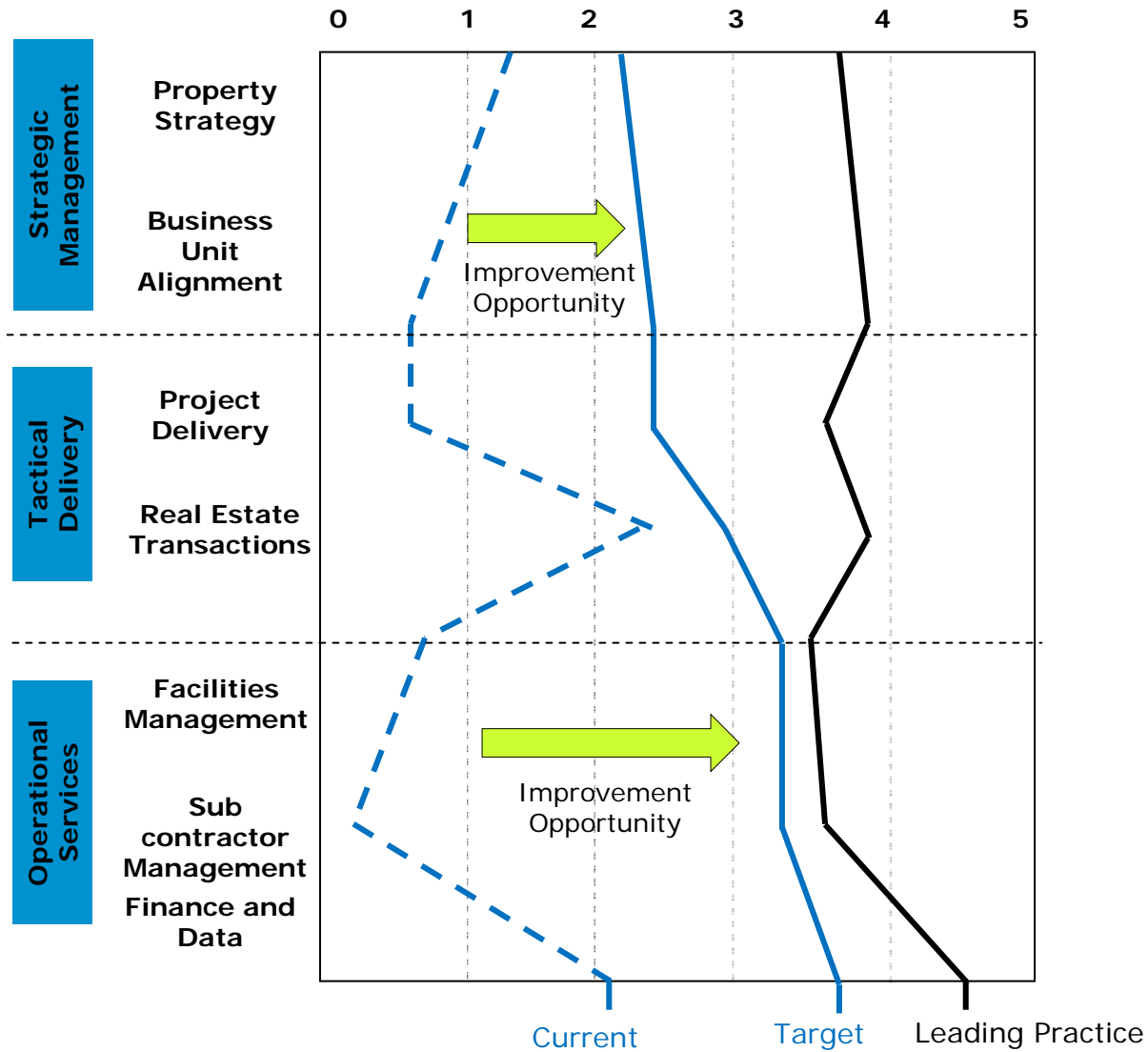
Corporate perspective

- **Reports to operations**
- **Second highest cost base**
- **Largest single asset category**
- **2 or 3 levels from the C suite**

Market maturity



Market maturity



Planning horizons



Churn

Occupancy

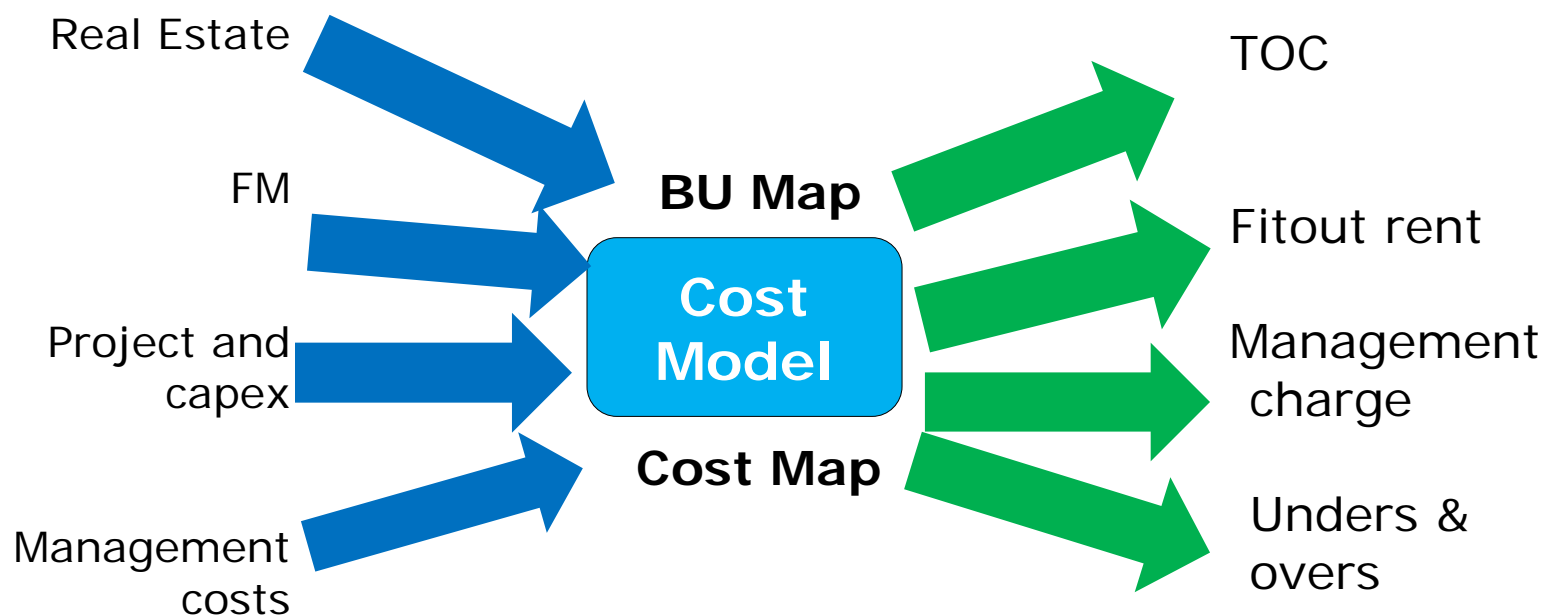
Strategic
Accommodation

Strategic Portfolio

← The intensity of effort is in the here and now and the next 3 years

↑ The longer term strategic planning

Cost allocation



Major issues

- **Long term high cost commitments**
- **Unique management issues**
- **Hubris**

2 - The scope for property

**What constitutes a scope, what
are the cost categories**

Major service categories

**Real
Estate**

**Capital
works**

Facilities

**Workplace
Services**

Finance and MIS

Major service categories

Real Estate

- **All lease and rental costs**
- **Rates , taxes and outgoings**
- **Fees and agents costs**
- **Approximately 75% of P&L cost**

Major service categories

Facilities

- **Repairs and maintenance**
- **Cleaning**
- **Security**
- **Fuel light and power**
- **Waste**
- **Approximately 25% of P&L costs**

Major service categories

Capital Works

- **Fitout and construction costs**
- **Changes, moves and churn**
- **Project management fees**
- **Specialist design and engineering**
- **Depreciation as P&L cost**

Major service categories

Workplace Services

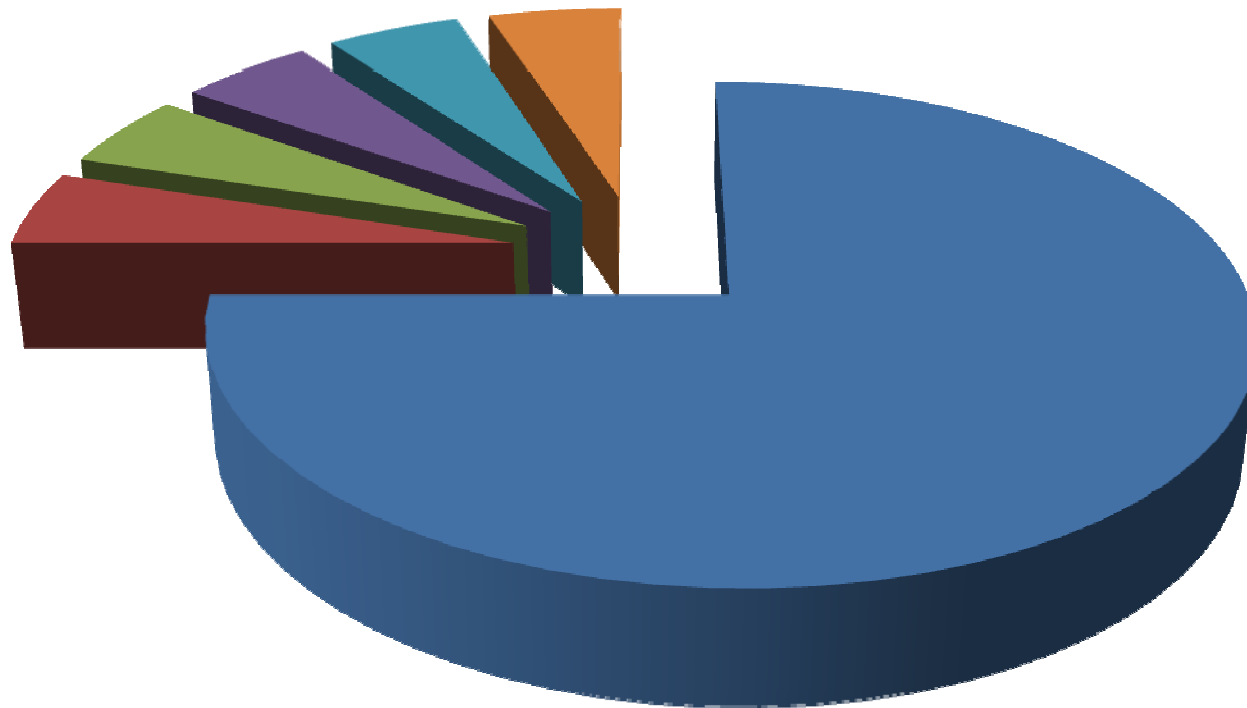
- **Switchboards**
- **Mailrooms**
- **Reception and concierge**
- **Catering**
- **Room bookings**
- **AV support**

Major service categories

Finance and MIS

- AP and AR
- Reporting
- WIP management
- Non financial data (plans photos etc)
- Reporting and forecasting
- Budget management

Typical spend analysis



- Rent and Outgoings
- Cleaning
- Fuel light and power
- Security
- Repairs and maintenance
- Other

Other costs

- **Freehold properties**
- **External management fees**
- **Agents fees and commissions**
- **Consulting and valuation fees**
- **Internal management costs**

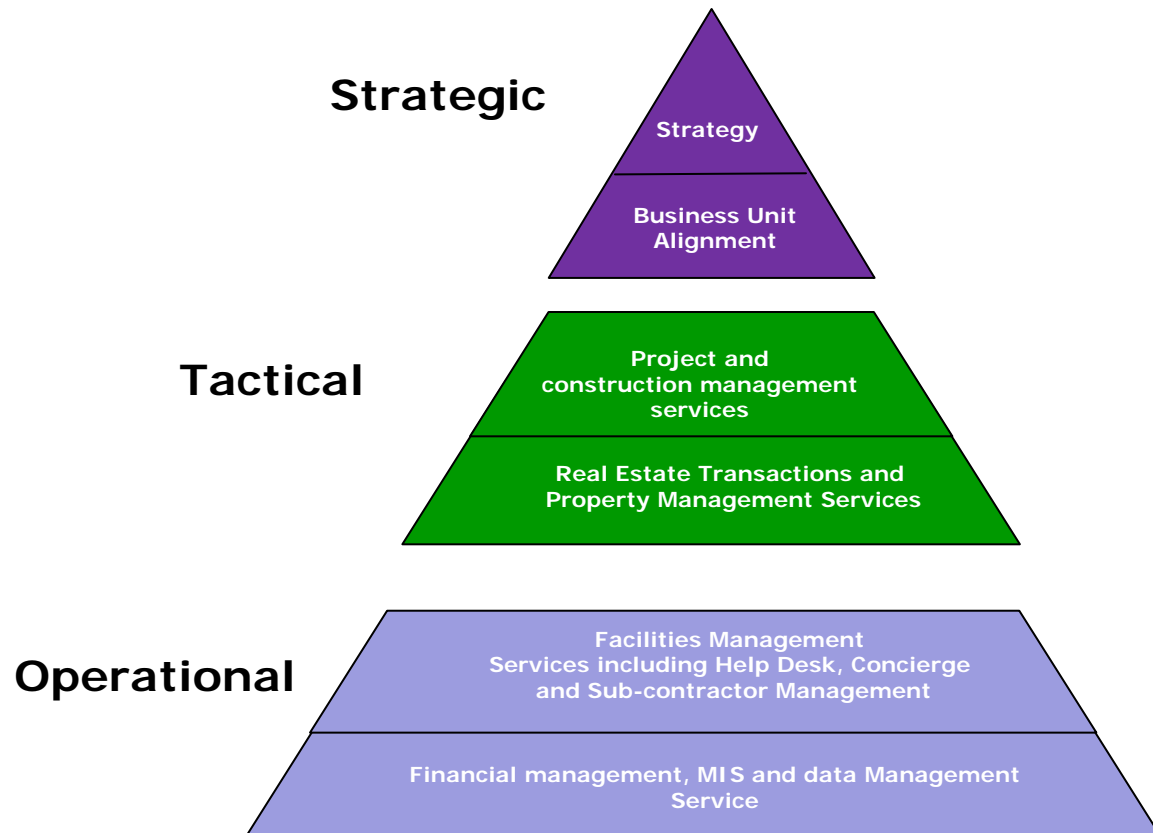
Portfolio management

- **Commercial**
- **Retail**
- **Industrial**
- **Call centres**
- **Data centres**
- **Residential**
- **Special purpose**

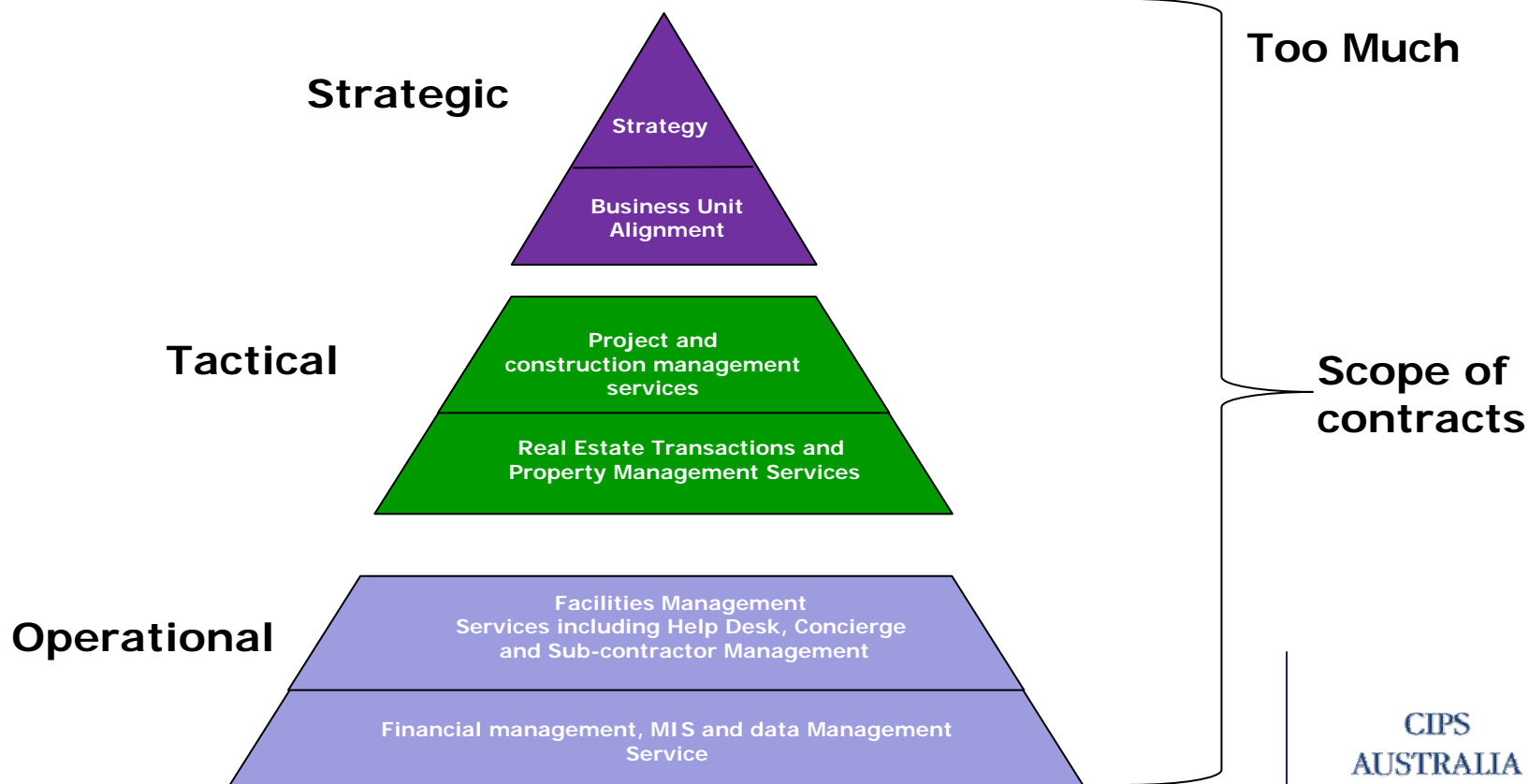
3- Service delivery models

What do you keep and what do you contract out?

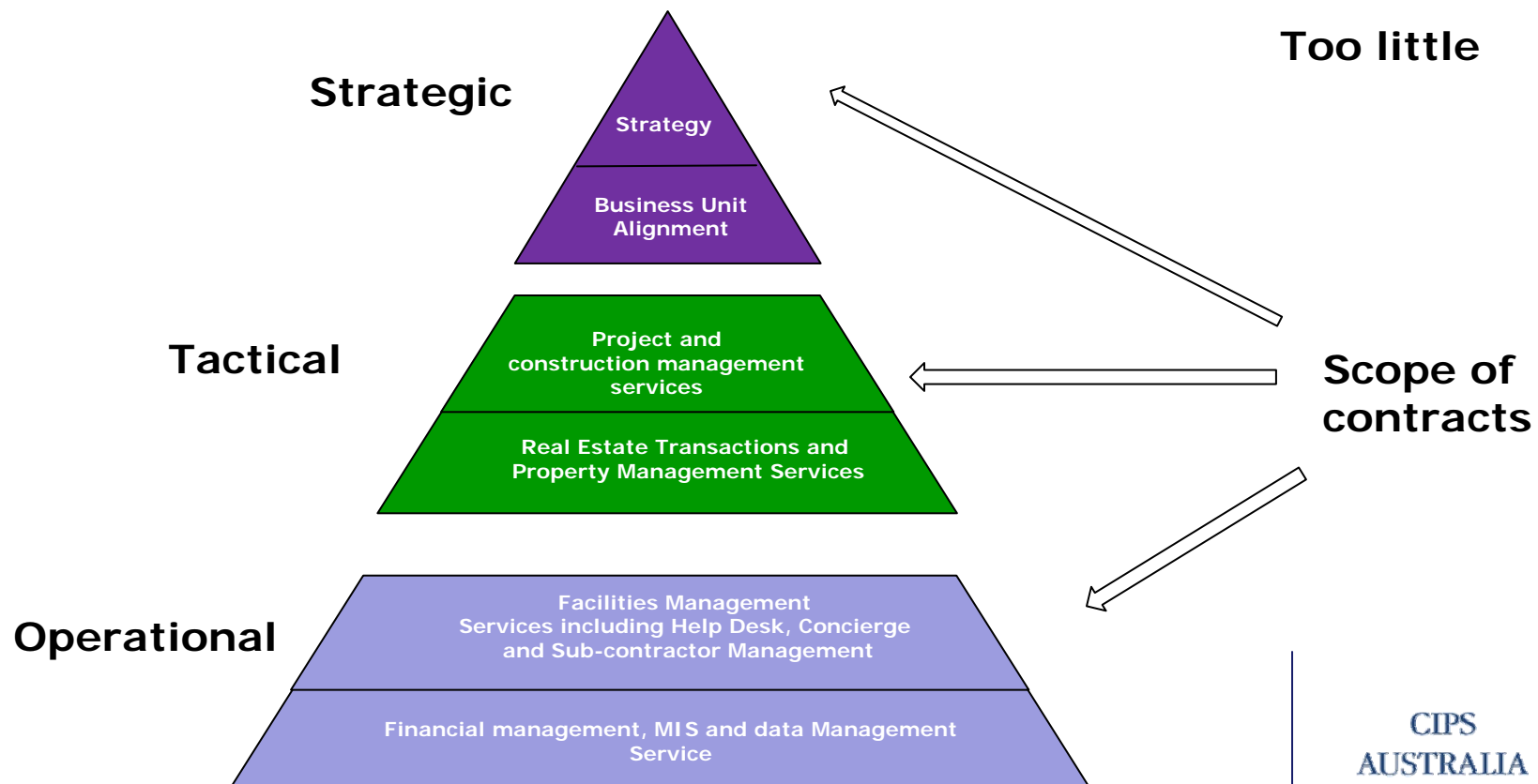
Service delivery models



Service delivery models

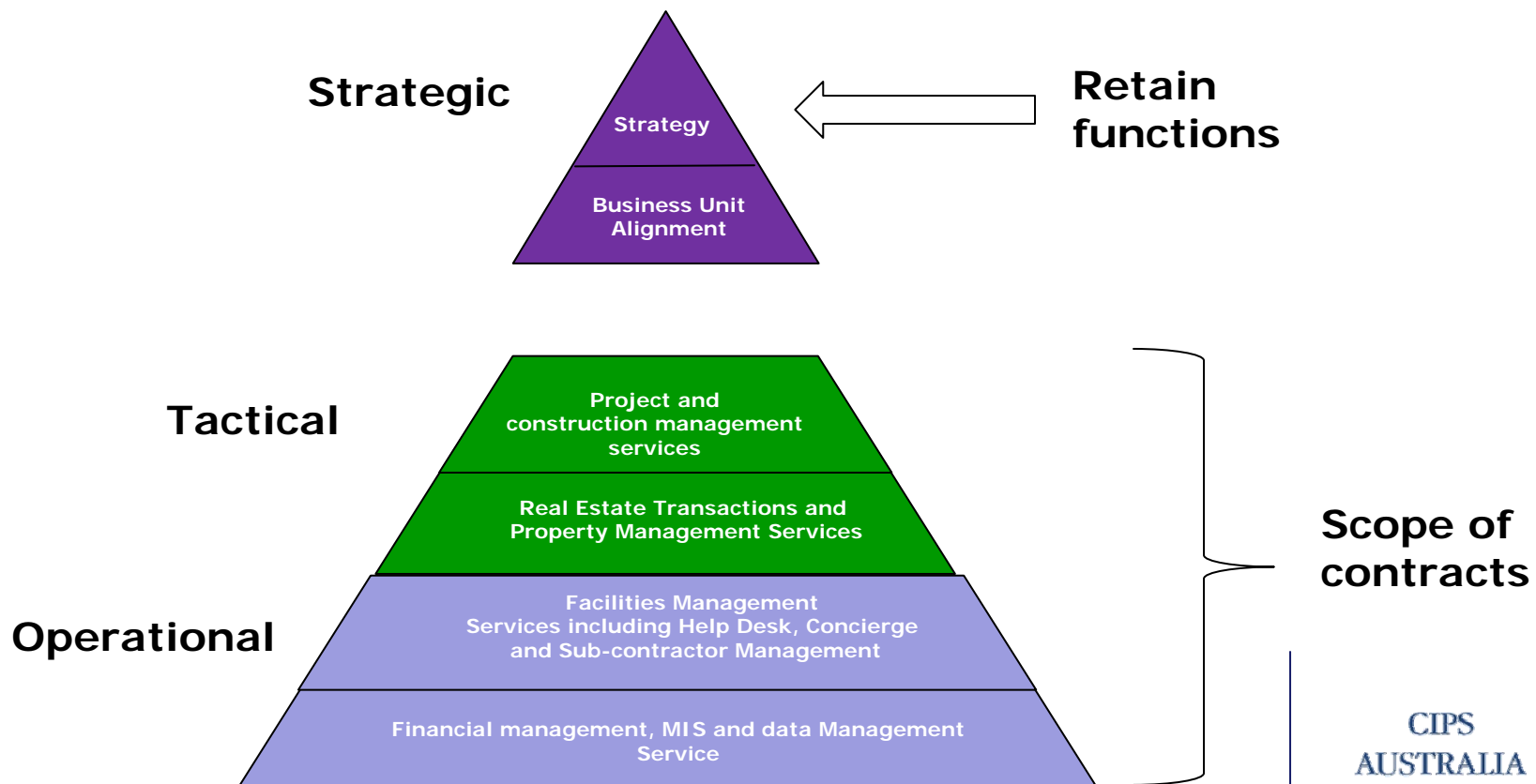


Service delivery models



Service delivery models

Mature model

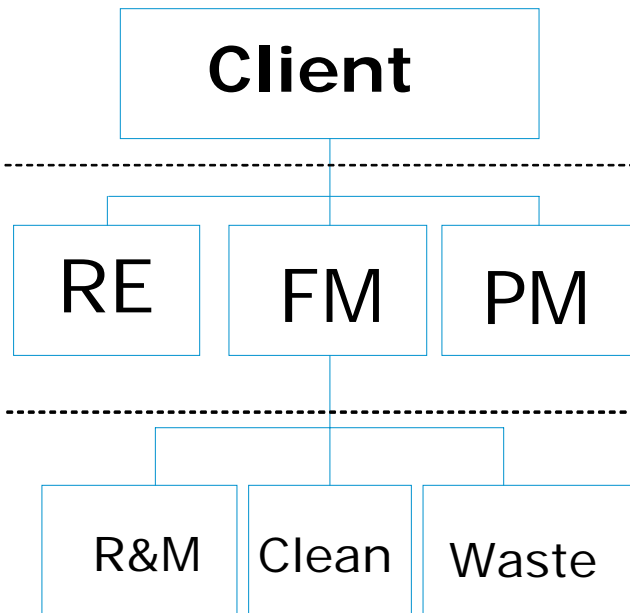


4 – Contracting strategies

How many contracts, what model(s) and why

Contracting strategies

“One to Few” Model



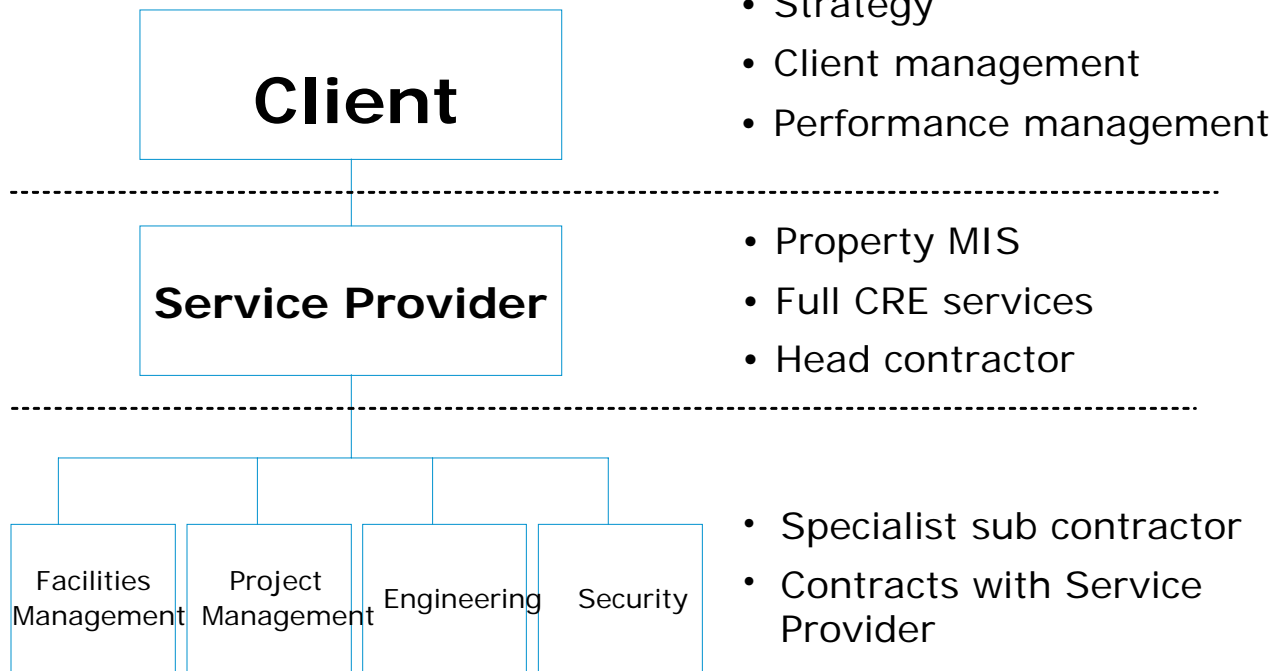
- Strategy
- Client management
- Performance management
- Property MIS

- Best of breed specialists
- Can have more than one provider for each service line

- Specialist sub contractor
- May be 'nominated' by client

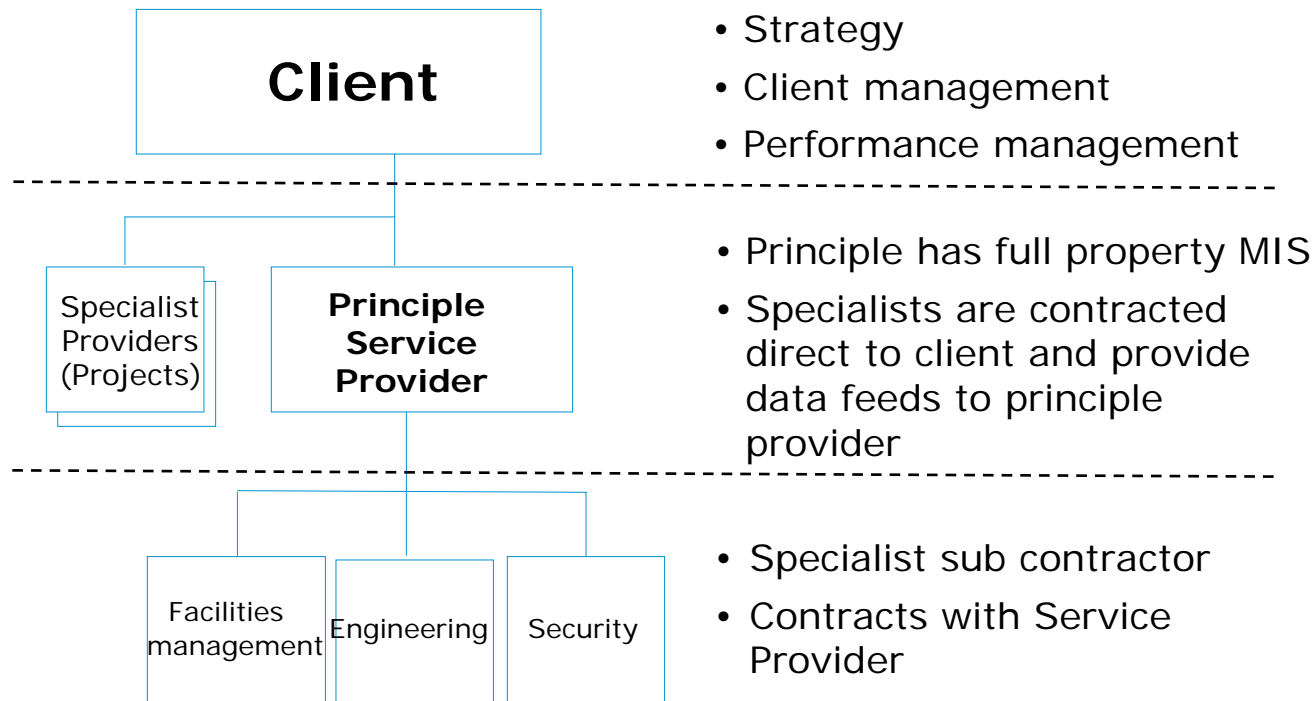
Contracting strategies

“One to One” Model

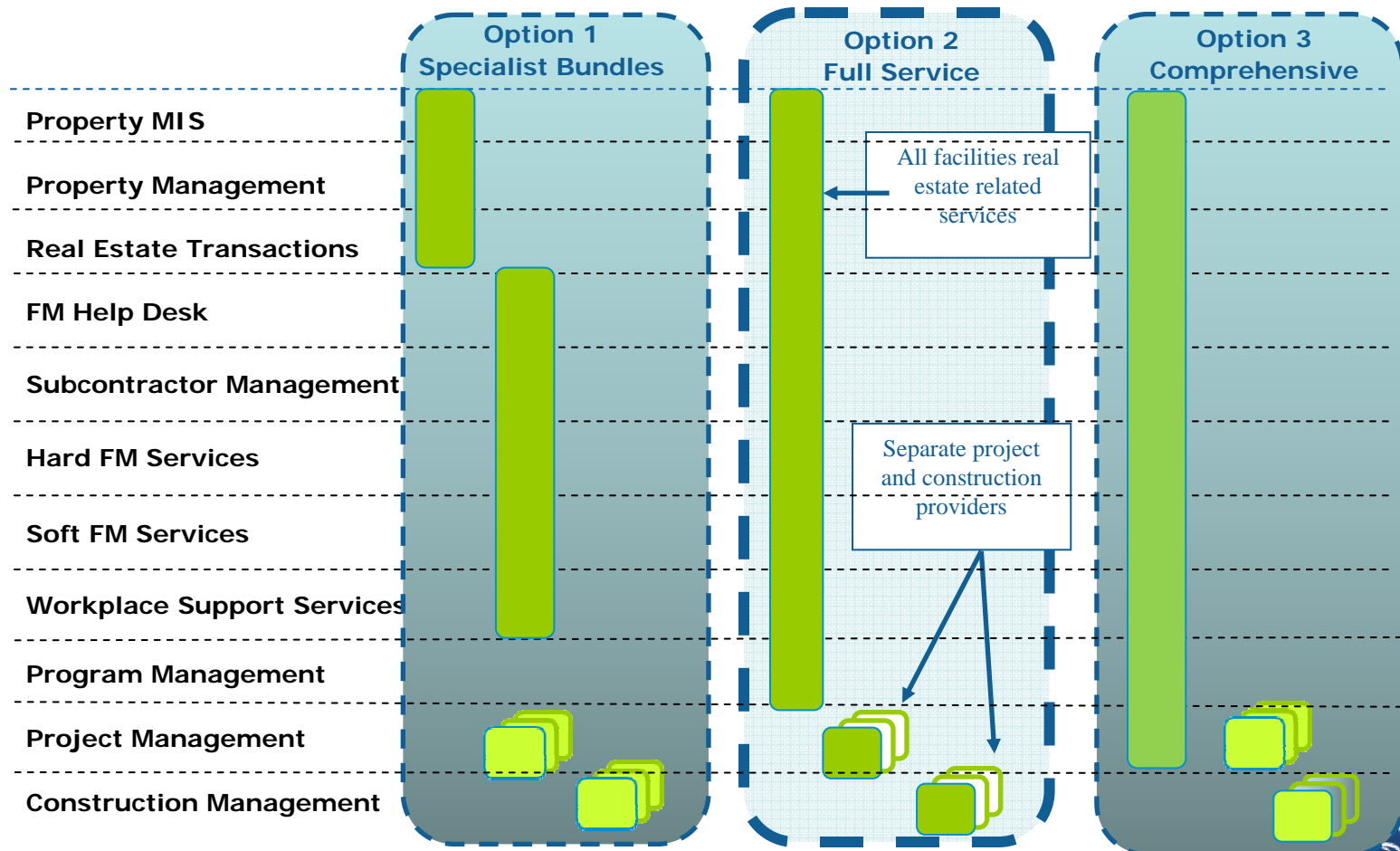


Contracting strategies

“One to One plus” Model



Contracting bundling



Pricing structures

- **Manage services**
 - **Fixed fees**
 - **Based on resources**
- **Comprehensive**
 - **Requires detailed workload data**

Pricing structures

- **Fee for service**
 - **Used for one off and project work**
- **Fee at risk**
 - **Link to KPIs**
 - **Escrow quarterly or annually**



Pricing structures

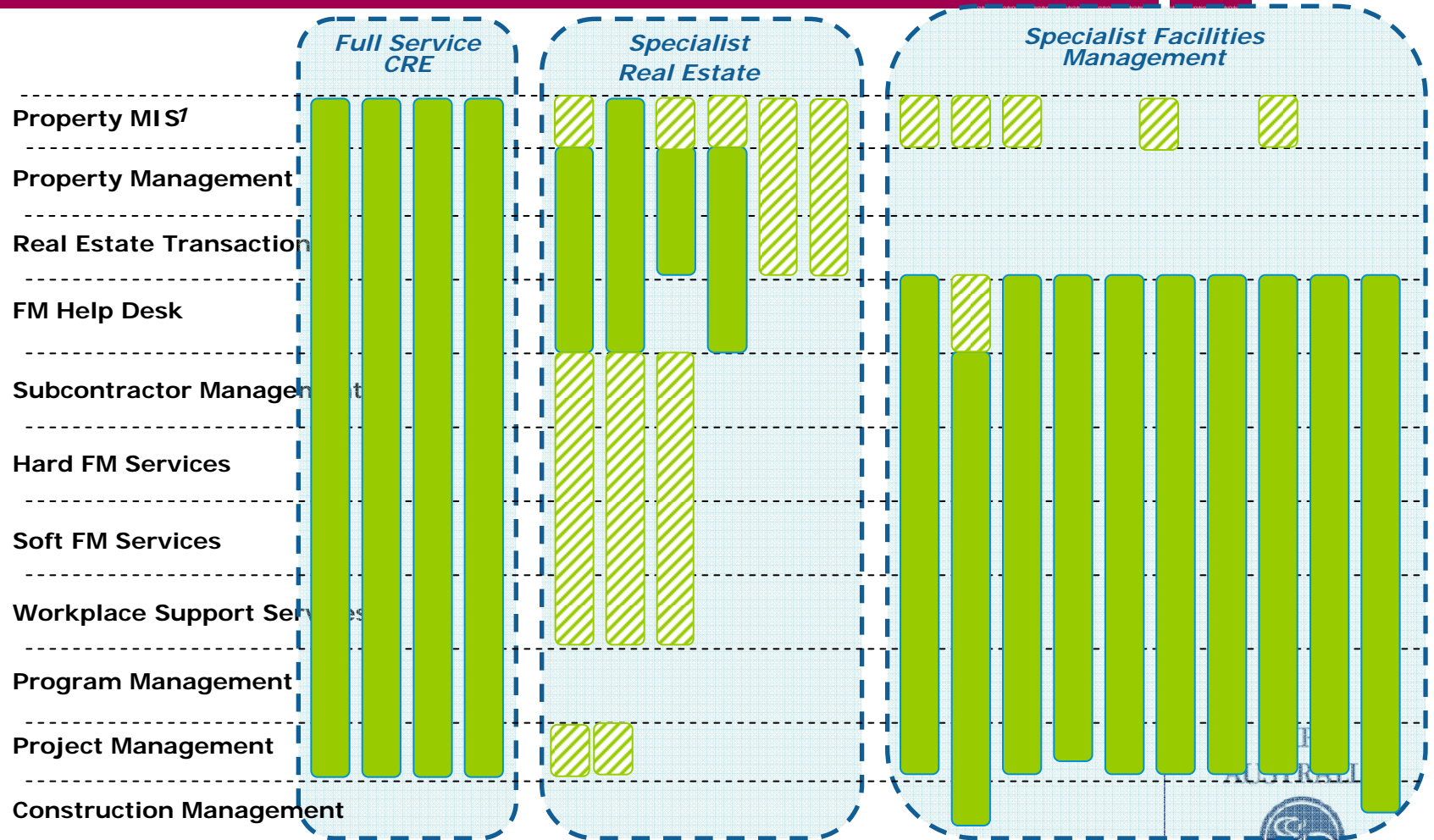
- **Gainshare**
 - **Based on share of savings**
 - **Needs detailed measurement**
 - **Can be very effective**

5 – Market capabilities

**What can the market deliver
who are they?**

Market capabilities

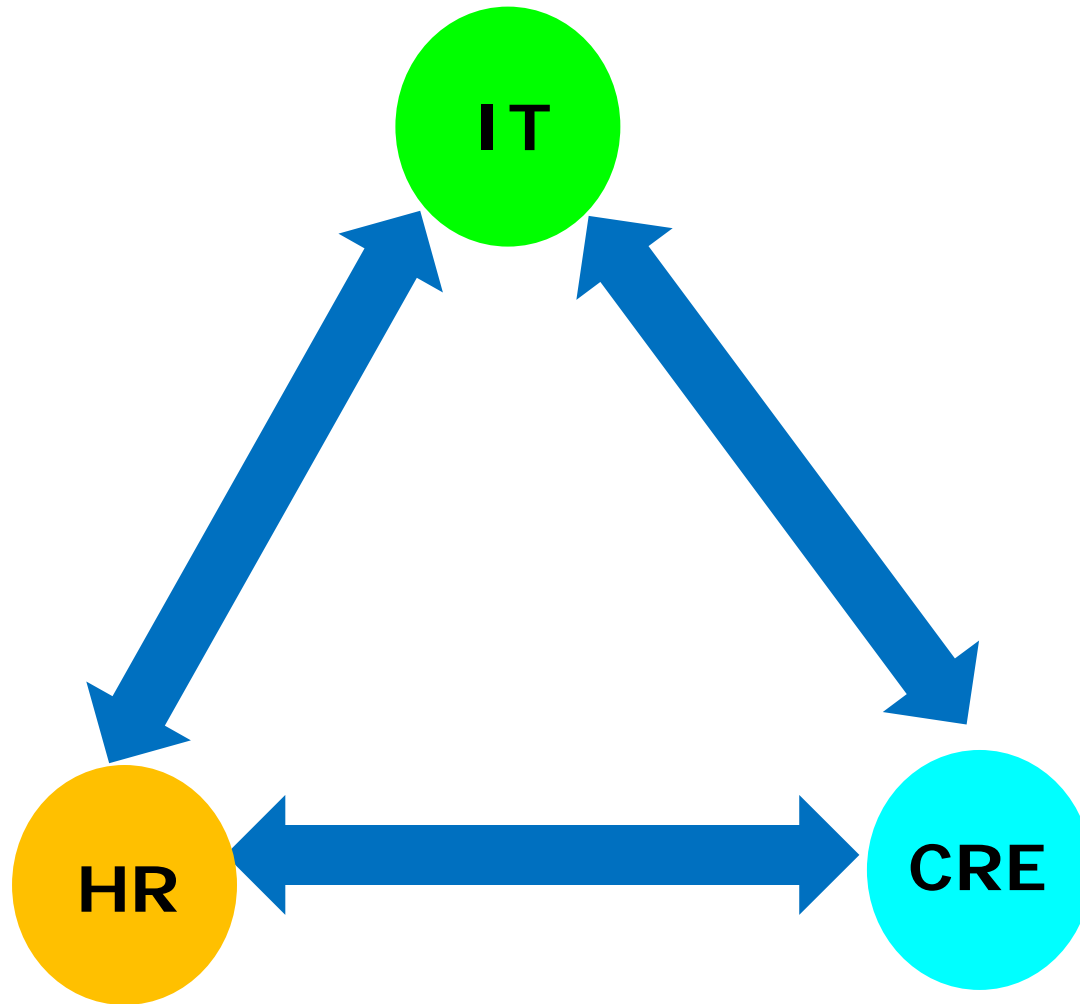
 Core capability
 Secondary capability



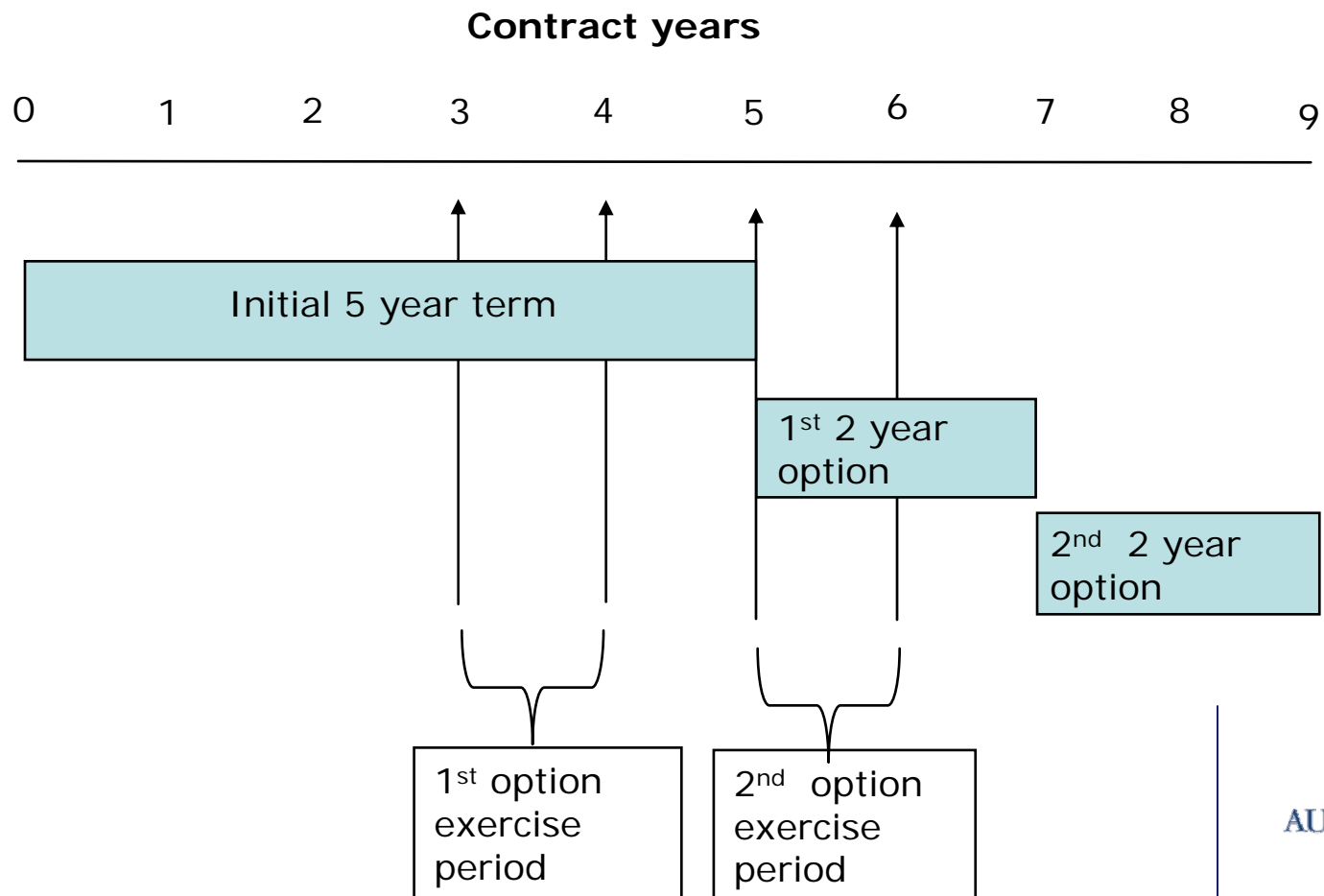
6 – Future trends

What are the areas of innovation ?

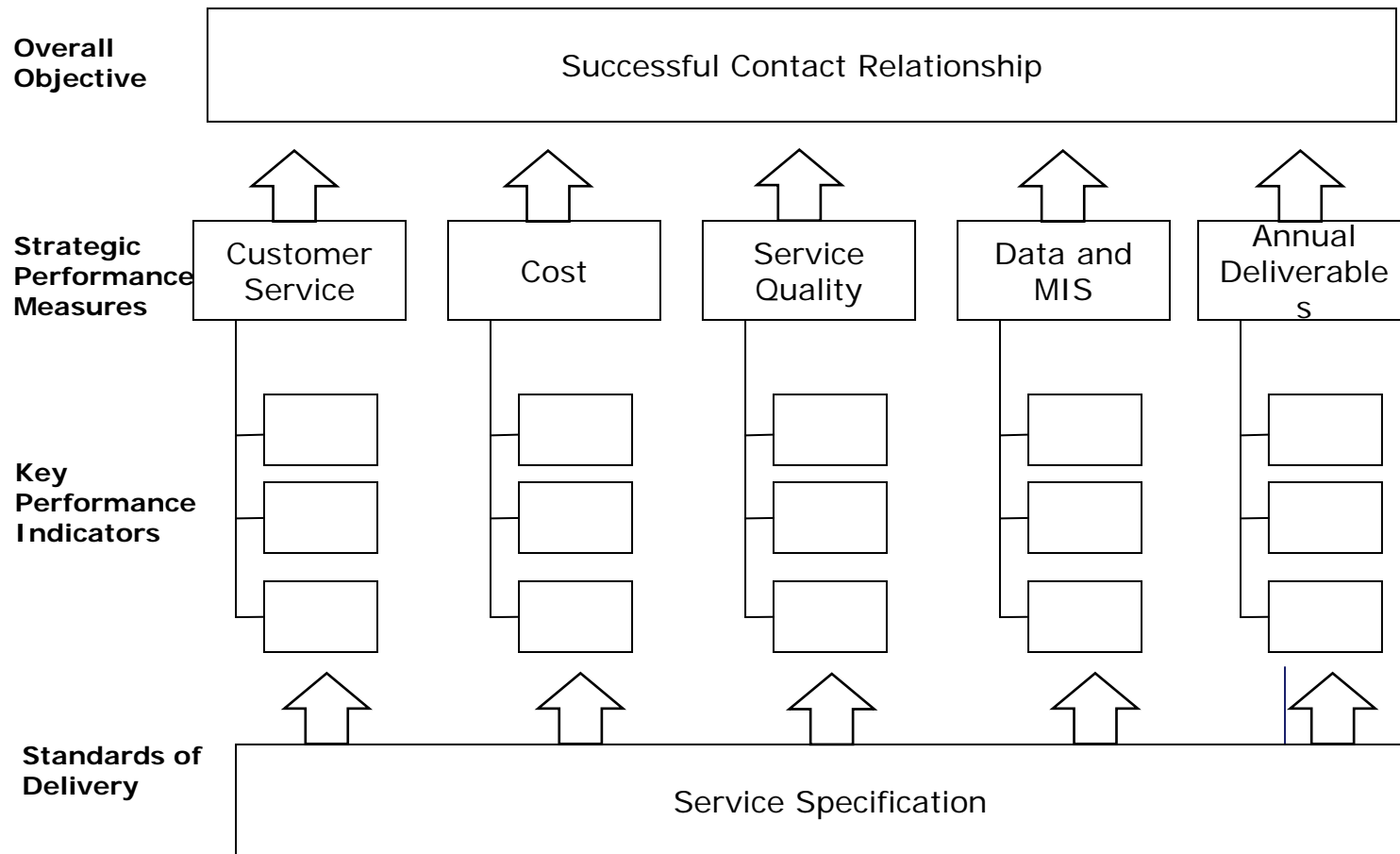
Resource Infrastructure



Longer term relationships



Sophisticated risk reward structures



Future trends

- **Consolidation of services**
- **Growth of WS**
- **Inclusion of MIS functionality**
- **Focus on consumption management**
- **Detailed cost allocation systems**
- **Relationship management**

Future trends

**Engagement
with the
business**

1980's

'We're property
and this is what
you're getting'

1990's

'We're property
and we know
what's best for
you'

2000's

'How can we
serve you
better?'

Future

'This is how we
can add value
to your
business'

Next steps

- **Assess the spend (GL, BU and AP)**
- **Engage with the business (understand the risks)**
- **Consider the whole and not the parts**
- **Assess internal management**
- **Get some advice**
- **If 1st generation 10% – 30% savings are possible)**

Final thought

“CRE is not merely an operating necessity: it’s a strategic resource”

Mahlon Apgar, IV. HBR November 2009

Questions

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