



# Corporate Real Estate & Facilities Management

## It's all about Value

**CoreNet Chapter Program**

Minneapolis, MN

February 12, 2013

**REALOGY**  
THE BUSINESS OF REAL ESTATE

  
**CORENET**  
GLOBAL

Empowering Corporate Real Estate  
and Workplace Executives



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## What I do...

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Economy  
Competition  
Politics  
Regulatory  
Public Perception



**Optimal Efficiency**

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Vacancy  
Demand  
Attrition  
Asset Value  
Business Strategy

- Outsourcing
- Organizational Design
- Process & Workflow
- Best Practices
- Enhanced Communication
- Customer Relationship Management
- Benchmarking

**How Many CoreNet Members are also Members of IFMA?**

**How Many in CRE roles?**

**How Many in FM Roles?**

**How Many report to the Same Management?**

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# What is Value?

## Starting off on the right foot...

### Pictures of Value: Value Meal in Hong Kong



## Starting off on the right foot...

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### Pictures of Value: Bags Fly Free!



PHOTO: JOE RAEDLE/GETTY IMAGES

## Starting off on the right foot...

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Pictures of Value: 



## Starting off on the right foot...

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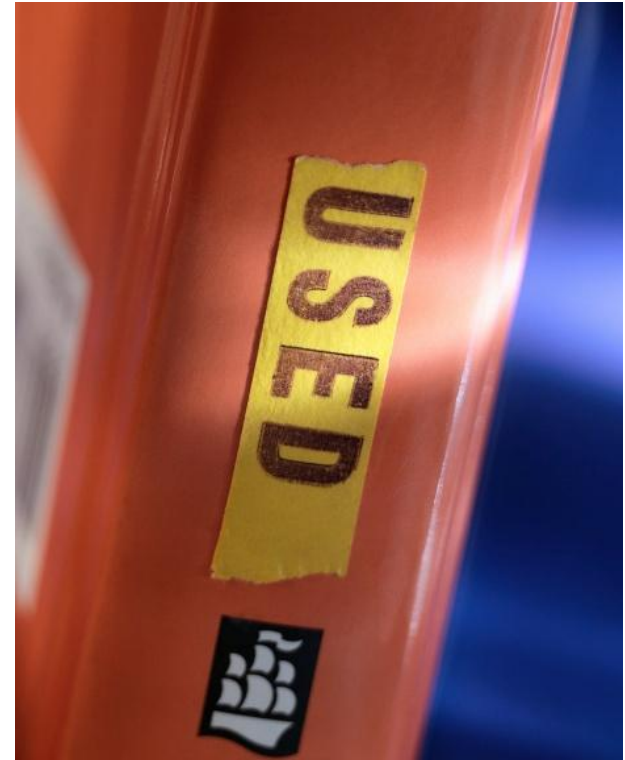
### Pictures of Value: Bargain Shopping



## Starting off on the right foot...

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- The Definition of Value can be Different Depending on the Consumer
- Is Based on Perception Rather than Reality
- Is a Tradeoff Between Investment (ie: the Price) and What You Get (ie: the Benefit)
- What About the “Textbook” Definition of Value?



**The perception that a function, process, business or deliverable is strategically, intrinsically, and dynamically aligned with a stated need.**



## My definition of Value...

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### Measured in Facilities Management by:

The degree to which FM contributes to the company's core business objectives

The degree to which FM and CRE integrate their work streams and present themselves as a unified team

The degree to which FM is recognized as a “strategic” vs. operational contributor



Yes but...

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**Perception = Reality**

**Real Estate = “Professional”**

**FM = “Maintenance”**



## Stubbing our toes...

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**“Can FM move from being a support service to being strategic? I believe it can not.”**

**“FM does not present a consistent image.”**



**“FM is a low value, low skill function”**

**FM is still concentrating on the micro and ignoring the macro.”**



**“75% of the people you talk to in [this company]...think FM is all about running [mail] rooms, [cafeterias], security, etc. and is very low margin work.”**



Bottom Line:

**If FM is Perceived as a Low Margin, “Maintenance”  
Function, Then it is Seen as:**

- **Non-Core**
- **Non-Central**
- **Unimportant**
- **Outsourceable**



## The CRE/FM Divide – What Drives Behavior?

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- Sees your role as limiting to his/hers
- Doesn't understand your role
- Sees your role as a threat
- In over his/her head
- Bigger more important priorities



# Becoming a Cohesive, Client-Focused Team

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## CHANGING THE FM MINDSET AND THE LANGUAGE

**FROM**

**What is the problem?**

**Analysis - Paralysis**

**Follower Role**

**Classic Terms**

**Customer Interests**

**TO**

**What are the possibilities?**

**Mobilization & Action**

**Leadership Role**

**Non-Classic Terms**

**Shareholder Interests**

## Becoming a Cohesive, Client-Focused Team

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- **CLASSIC BUSINESS TERMS:** How does CRE and FM add value?
- **NON-CLASSIC BUSINESS TERMS:** How valuable are CRE and FM functions?
- **CLASSIC MEASURE:** Financial, Operational impact of CRE and FM
- **NON-CLASSIC MEASURE:** How relevant are CRE and FM teams from the Company's Perspective

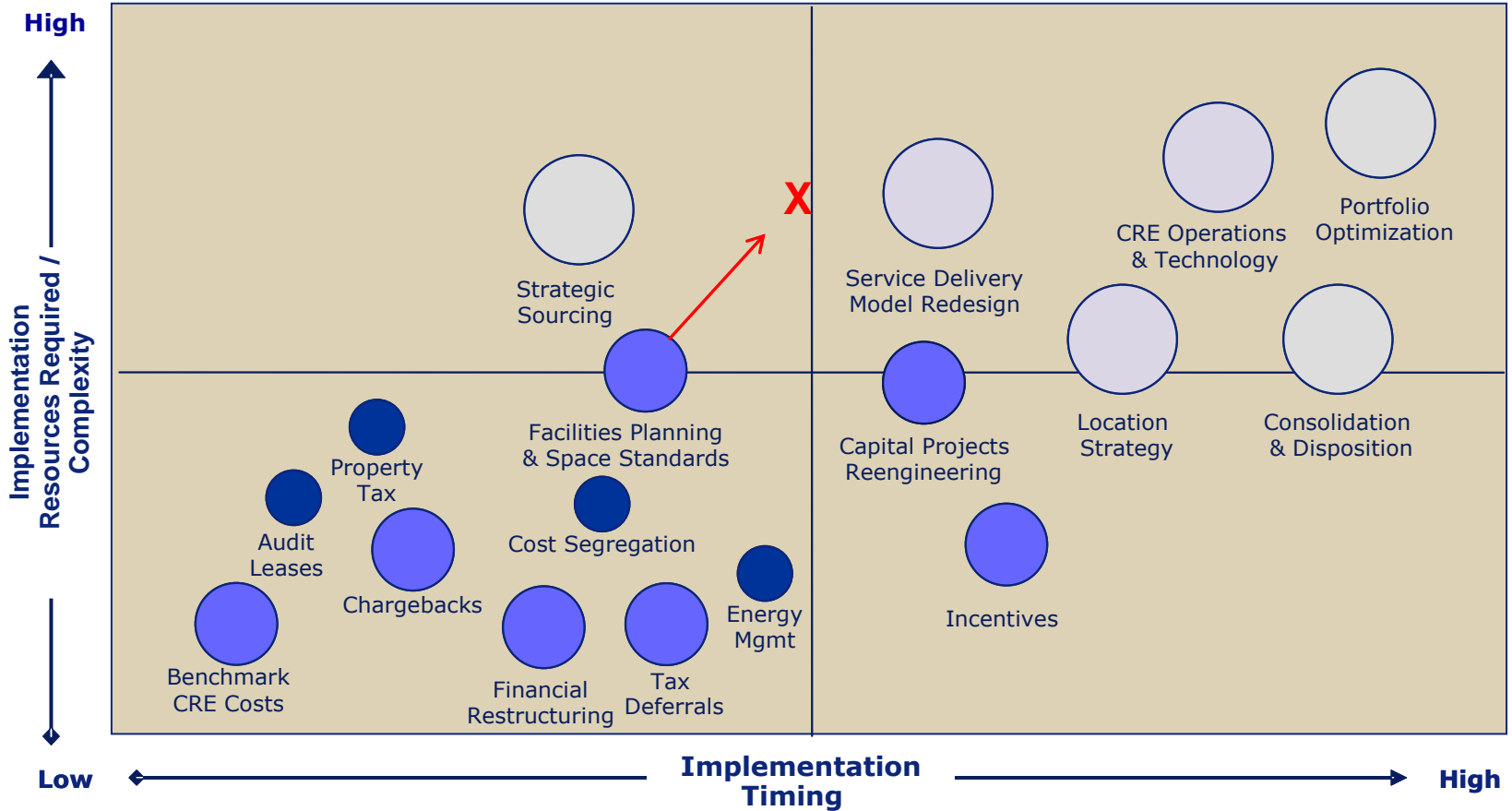
## Becoming a Cohesive, Client-Focused Team

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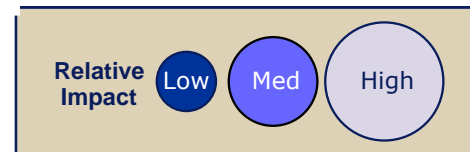
- CRE: Market Timing, Planning, Negotiations, Transactions, Cycle Time, etc.
- FM: Operations, Procurement, Vendor Management, MAC, Contingency Planning, etc.
- Joined Together: Productivity, Strategic Positioning of Assets, Responsiveness, Customer Satisfaction

# Positioning FM as a Strategic Lever

## Overview & Impact of CRE Improvement Strategies



Source: CRE Transformation, Strategy & Operations Practice, Deloitte Consulting LLP



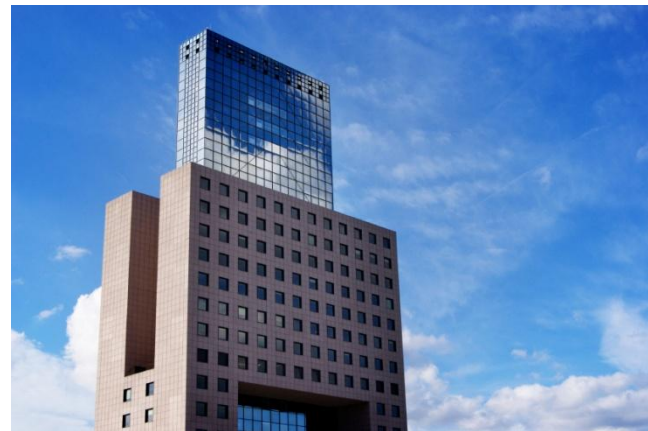
## Becoming a Cohesive, Client-Focused Team

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Assets are not typically owned for their investment value

The decision to own vs. lease must be tied to the business mission – criticality/longevity/disposition strategy:

- Under Utilization
- Capacity Management
- De-Capitalization
- Re-Engineering
- Cost Savings
- Cost Avoidance
- Service Quality



## Becoming a Cohesive, Client-Focused Team

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The intrinsic value of an asset is along three lines:

- Value at acquisition (usually CRE)
- Value during Operation (usually FM)
- Value at return on disposition (again CRE)

To “commit” the teams I use a Balanced Scorecard:

- Ties strategy to operational terms
- Aligns CRE and FM to a goal or strategy
- Motivates staff to perform
- Allows for a learning environment

# Becoming a Cohesive, Client-Focused Team

## Balanced Scorecard.

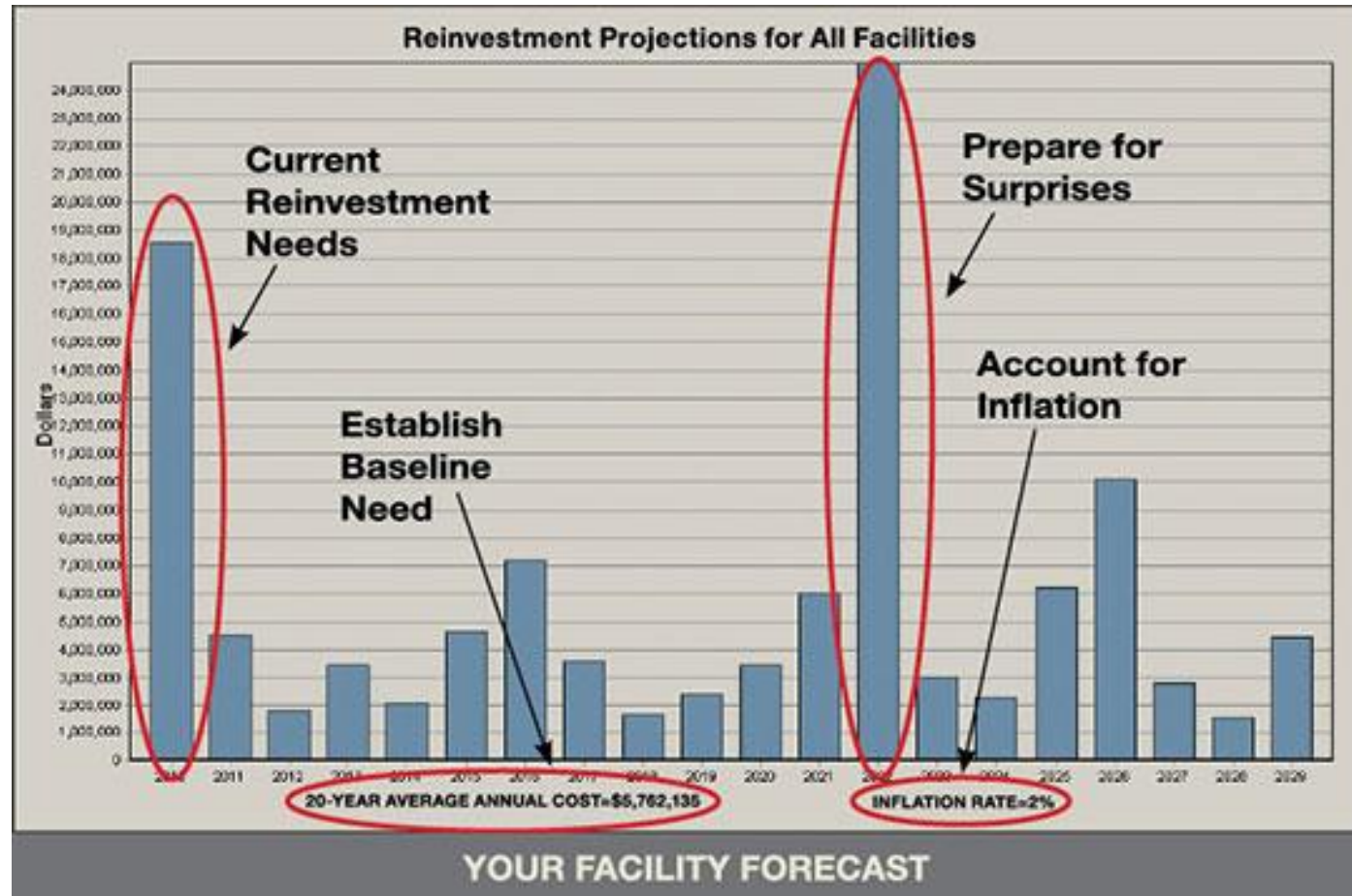
FINANCIAL SCORECARD (40%)									
	Measures	Specific Targets 2012	Individual Weighting	Score					Comments
				1	2	3	4	5	
<b>Expense Reduction</b>	Total reduction in real estate expenses due to lease renegotiations, lease audits and other strategic initiatives	\$XX in total reductions for calendar year							
<b>Disposition</b>	Total square footage of space disposed of by year end.	XX SF by end of calendar year							
	Total gain on sale for sale of owned properties	\$XX in total gains on sale by end of calendar year.							
<b>Other Realized Savings / Value Add</b>									
		<b>Subtotal:</b>							<b>Subtotal:</b>
		<b>Average:</b>							<b>Average:</b>

### Why the Facility Professional Should Care:

- FM can Impact the Company's Bottom Line and the Individual's Productivity
- Influence from Multi-Million Dollar Budget to Copier Paper
- Knowledge of Lease Terms, Options, Ramifications Puts you in Good Stead with Senior Management
- Knowledge of the Local Market Broadens your Perspective and Every \$\$ Saved Impacts Profit/Stock Price
- A Change of Focus Communicates VALUE

## One Example...

# Reducing the Total Cost of Occupancy while Maintaining Asset Lifecycle Performance.



### Shift to a long term Planning focus

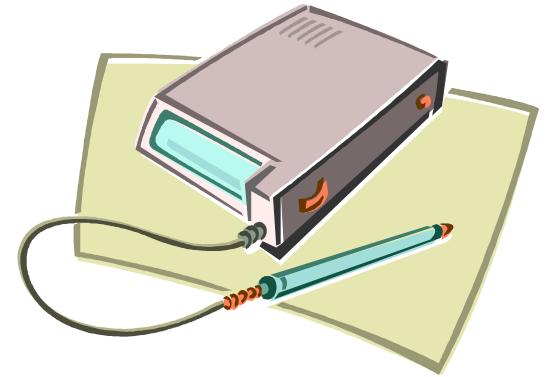
- Extend capital planning horizon from 12-18 months to 3-5 years
- Assess the most important facilities in your portfolio
  - current condition of facilities
  - the backlog of deferred maintenance
  - upcoming maintenance & renewal requirements

## What the FM Organization/Leadership Team Should Do

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### Capture Property Diagnostics:

- Physical Aspects
- Operational Aspects
- Debt
- Market Position
- Ownership Goals (strategic value)
- Exit Strategy
- Opinion of Value

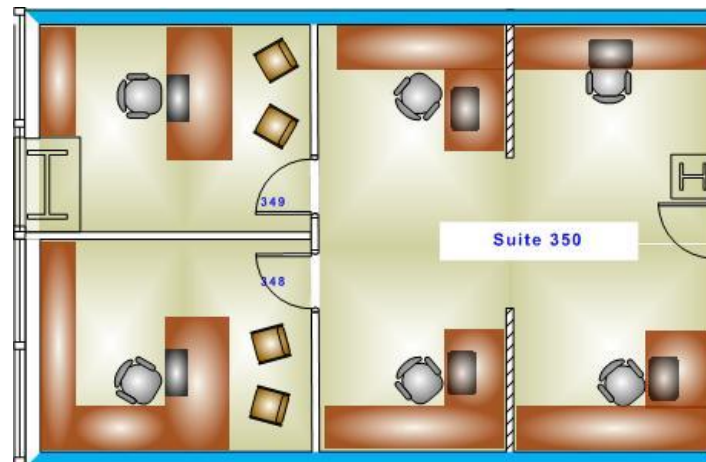


## What the FM Organization/Leadership Team Should Do

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### Portfolio Strategy and Organizational Design

- Benchmark and Aggressively Enforce Space Standards
- Capture all Types of Vacancy/Workspace Usage
- Push Down the Accountability for Underutilized or Surplus Space
- Push Out the Accountability for Data Accuracy



# What the FM Organization/Leadership Team Should Do

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## Building Performance

- Acoustics
- Lighting
- Day-Lighting
- Thermal Comfort
- Indoor Air Quality



## Summary

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### Outsourcing is not going away

- But it is getting smarter.
- The time to change perceptions is now
- At the highest levels, organizations such as IFMA and CoreNet need to work together
- At the ground level RE and FM must work together.
- It is all about Value





# Thank you!

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