



CORENET
GLOBAL
UK Chapter



**BIG
AFTER
NOON**
10 October 2013



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**Property
Week**

Welcome to 1 Big Afternoon





Neil Austin

Head of Property Services, Retail
Head of Asset Management
GB, EMEA, India & AsiaPac
RBS

14:05	Presidents Address	Neil Austin, UK CoreNet President
14:15	CoreNet Communities Hot Topics Presentation and panel discussion with Q&A <ul style="list-style-type: none"> • S&PP – Tamas Polster, Head of Consulting Continental Europe DTZ • Workplace – Robert McLean, PWC • Sustainability – Sean Lockie, Director of Sustainability, F&G 	Facilitated by Russell McMillan
16:15	Comfort break	
16:35	Taxation of leases - An introduction to the key issues	Mark Burgess, Partner, DLA
17:05	Young Leaders – We are the future	Amelia Saberwal, Associate, Artillery Architecture & interior Design
17:10	Networking, drinks and canapés	

- Business Relevance
- Organisational Alignment
- Young Leaders

619 Members
235 End Users
288 Service Providers
96 Young Leaders

20 events a year

Varied Annual Programmes

- Awards Breakfast
- 1 Big Day
- Annual Dinner
- Predictions and Resolutions
- Free to members events
- Knowledge Exchanges

3 Objectives for 2013/2014

- Business Relevance
 - Organisational Alignment
 - Young Leaders
- Value add to all members*

Knowledge Communities

- SP&P
- Workplace
- M&I
- Sustainability
- Strategic FM



In Summary – What is keeping UK Corporates up at night?

“I am struggling to align my real estate strategy to the direction the CEO and CFO wants and been seen as more than a reactive cost centre”

“Different markets appear to be going in different directions at the moment, I am struggling to manage this.”

“We have so many break events this year- I am terrified that a technicality will mean we miss one”

“how can I possibly measure workplace productivity to justify the capital spend”

“There is a new risk committee set up, how can I demonstrate we effectively and efficiently manage risk and have the appropriate risk appetite?”

“The skate park! What happens if they declare symptoms of gas inhalation?”

“That energy bill, what’s it all about?”

“IAS17 – Is this going to affect my P&L, should I report it?”

“Money, money, money – I wish I had a solution to keep finding savings – when will the requests stop”



Thank you



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1

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10 October 2013

CFO Survey, 3 community hot topics, panel discussion & Q&A



Russell McMillan

- UK Deloitte CFO survey
- Workplace 2030: Built for Us - Global Mega Trends (Deloitte Australia)

The UK CFO's view

- **Results from 135 CFOs**
 - 37 FTSE 100
 - 45 FTSE 250
 - £684Bn or 32% of UK quoted market
- Benchmark for CFO sentiment
- Widely quoted in the media
- Used by the Bank of England

Deloitte. Q2 2013

The Deloitte CFO Survey

Planning for growth

Major UK businesses shifted towards expansionary strategies in the second quarter, highlighting a sharp rise in risk appetite at the top end of the corporate sector.

The recession-era focus on corporate cost cutting and debt reduction is easing and expansion is coming back onto the agenda for many businesses.

In a sign of an improving domestic outlook, the shift to more pro-growth strategies has been driven by companies which earn the majority of their revenues in the UK.

The latest survey took place in the second half of June, a period of turbulence in financial markets, and one marked by concerns about the withdrawal of quantitative easing in the US and a cash crunch in China. Nonetheless, CFOs' perceptions of macroeconomic and financial uncertainty facing their businesses have fallen to a three-year low.

Earlier this year, CFO respondents said that economic and financial uncertainty

was the biggest single factor weighing on investment. A less risky environment clearly bodes well for business investment. CFOs' expectations for hiring and investment are back to where they were in early 2011 when the world seemed set fair for recovery.

For large companies shortages of capital no longer stand in the way of investment. CFOs report that credit is cheaper and more easily available than at any time in the last six years.

Business optimism has risen for the fourth consecutive quarter and is now well above average. It is symptomatic of the changed mood that a record 45% of CFOs say that now is a good time to take risk onto their balance sheets.

The last five years demonstrate that corporate sentiment is changeable, responding to the ebb and flow of news and shifts in financial markets. Uncertainty has not died, but it has declined. Rising risk appetite and a shift towards expansion show that large UK corporates are increasingly planning for growth.

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Chart 1. CFO priorities: Expansionary vs. defensive strategies

Quarter	Expansionary strategies (%)	Defensive strategies (%)
Q3 10	20	20
Q4 10	25	20
Q1 11	30	20
Q2 11	25	25
Q3 11	20	30
Q4 11	20	30
Q1 12	20	30
Q2 12	20	37
Q3 12	20	30
Q4 12	20	30
Q1 13	20	30
Q2 13	25	30

Average of the % of CFOs who rated expansionary strategies (introducing new products/services or expanding into new markets, expanding by acquisition and increasing capital expenditure) and defensive strategies (reducing costs, reducing leverage and increasing cash flow) as a strong priority.

July 2013

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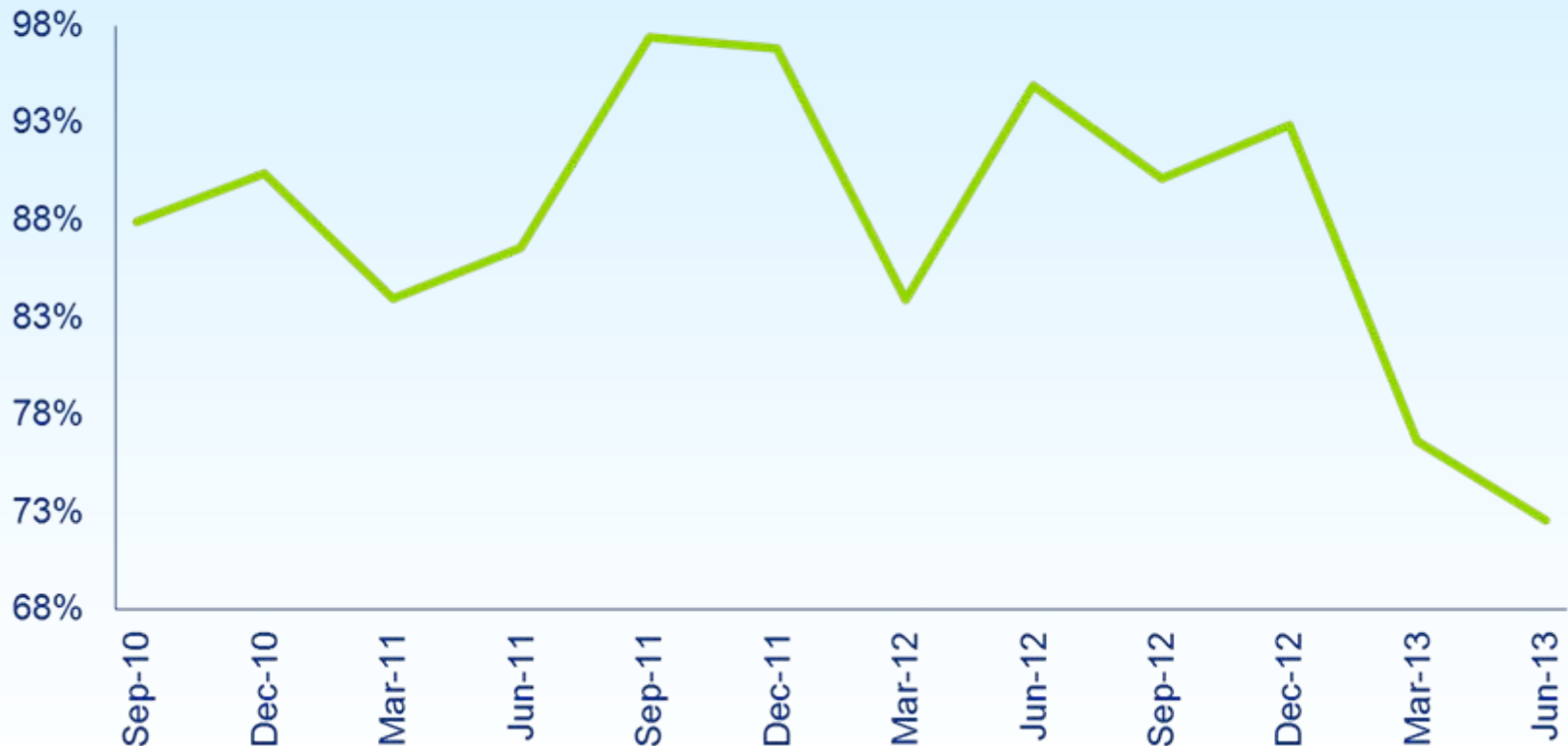
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Property Week

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Uncertainty

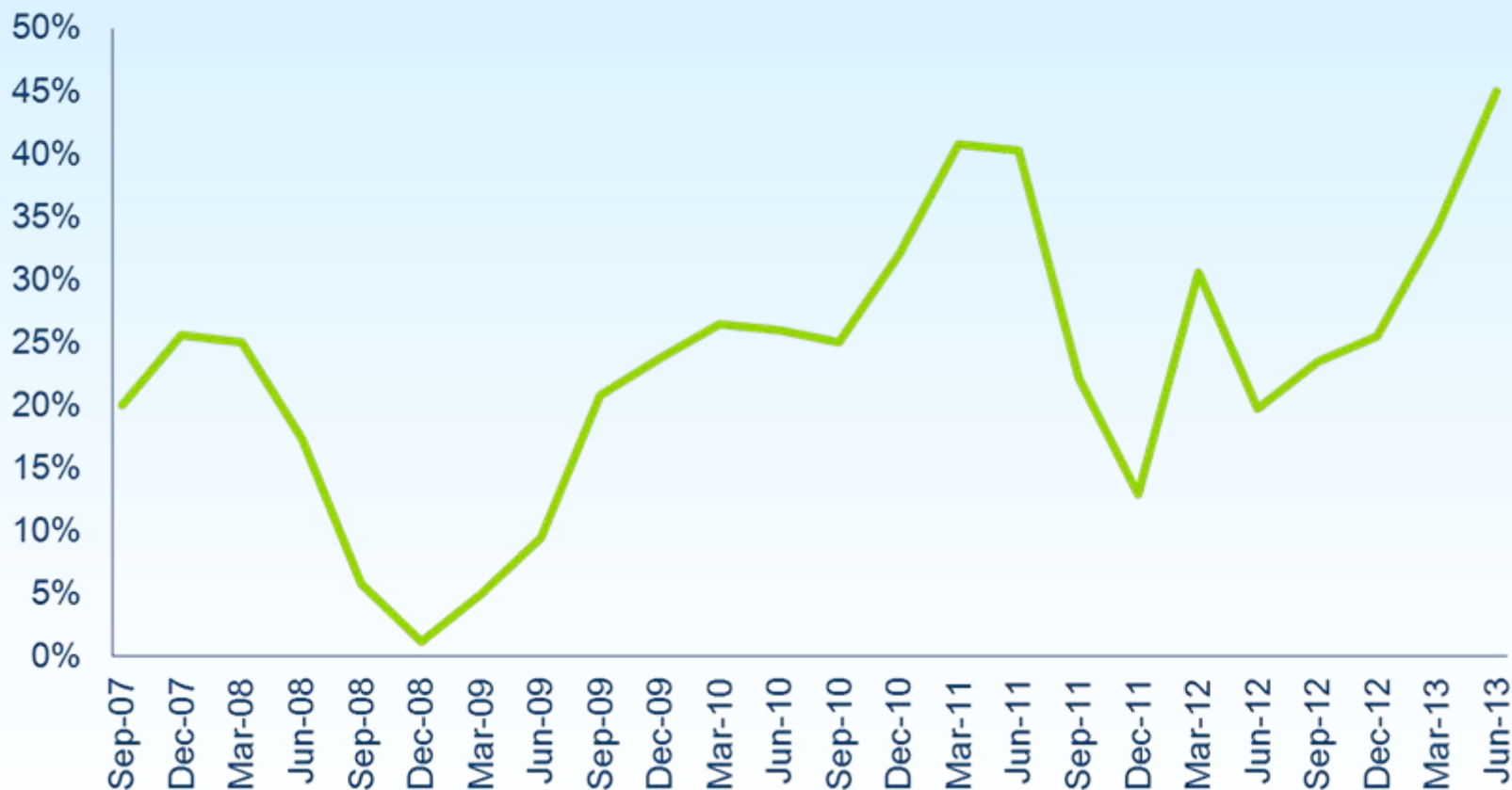
% of CFOs who rate the level of external financial and economic uncertainty facing their business as above normal, high or very high



Source: Deloitte CFO Survey

Risk appetite

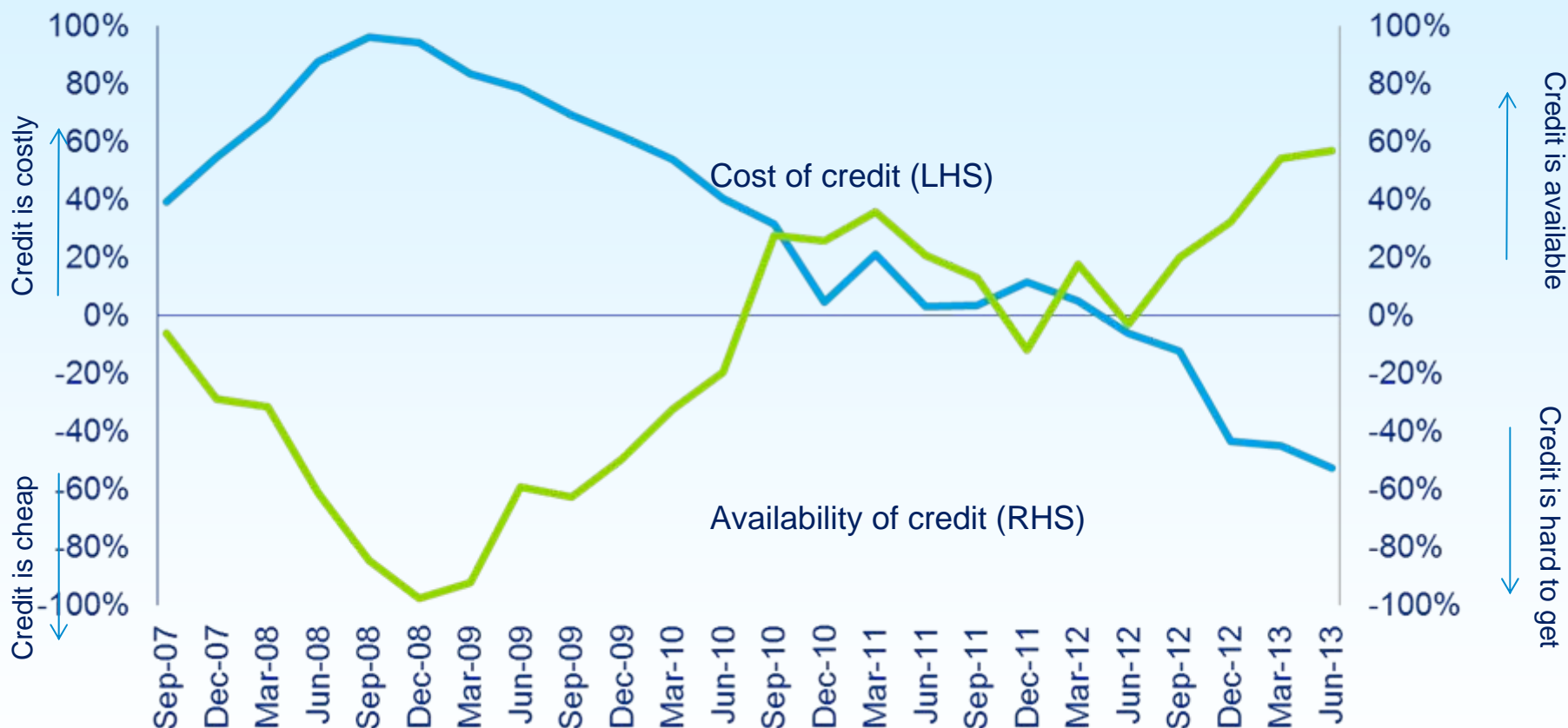
% of CFOs who think this is a good time to take greater risk onto their balance sheets



Source: Deloitte CFO Survey

Cost and availability of credit

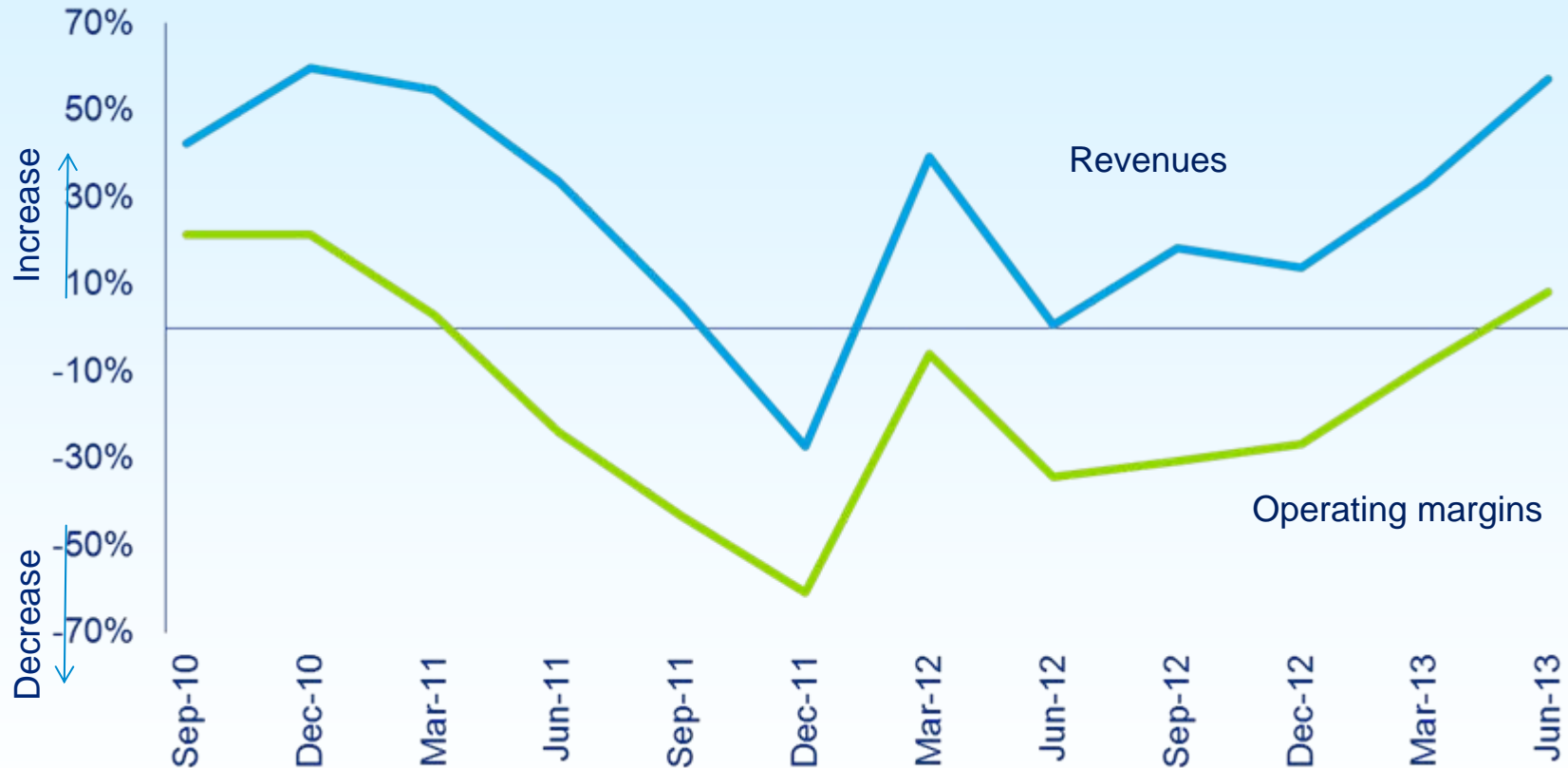
Net % of CFOs reporting credit is costly and credit is easily available



Source: Deloitte CFO Survey

Outlook for corporate revenues and margins

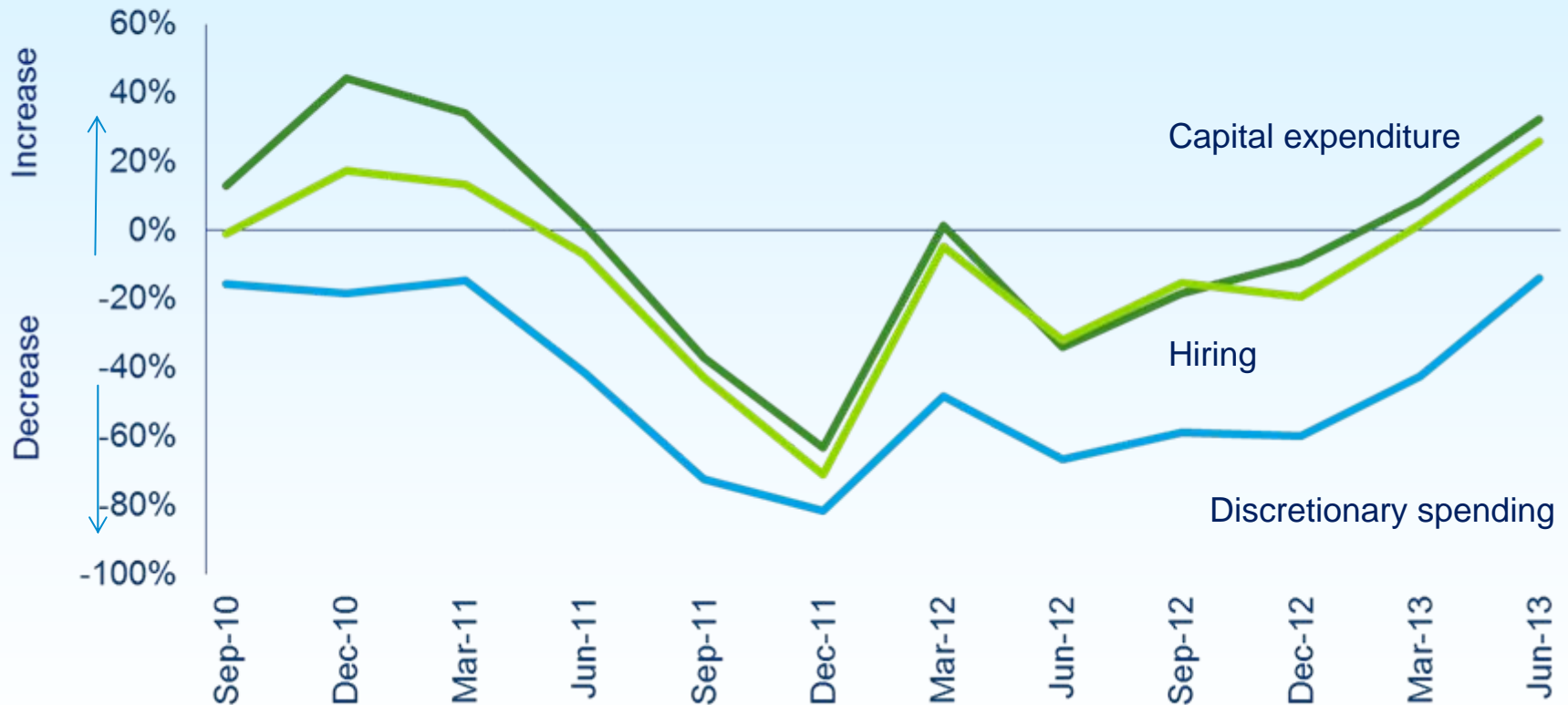
Net % of CFOs who expect UK corporates' revenues and margins to increase over the next 12 months



Source: Deloitte CFO Survey

Outlook for capital expenditure, hiring and discretionary spending

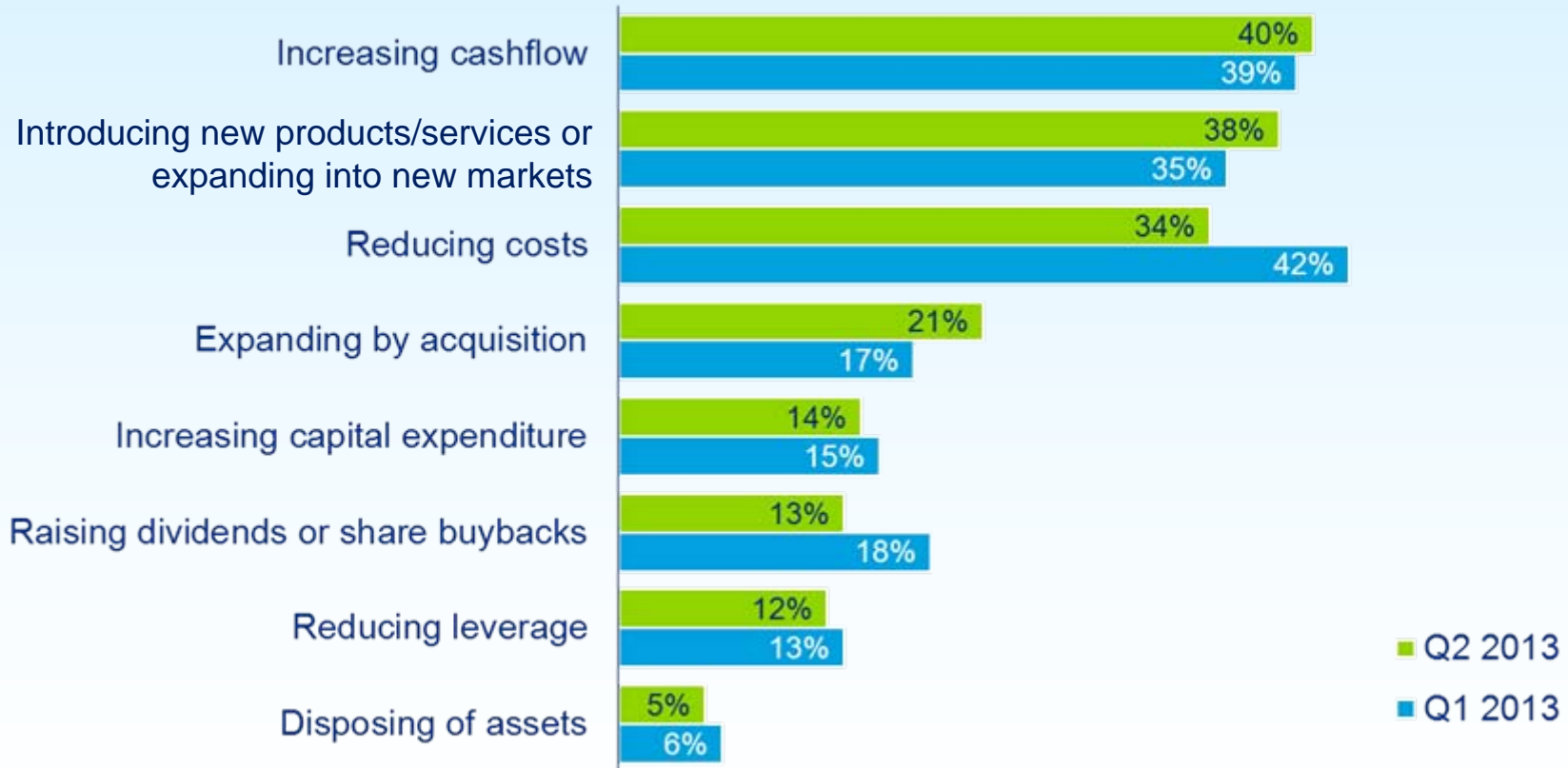
Net % of CFOs who expect UK corporates' capital expenditure, hiring and discretionary spending to increase over the next 12 months



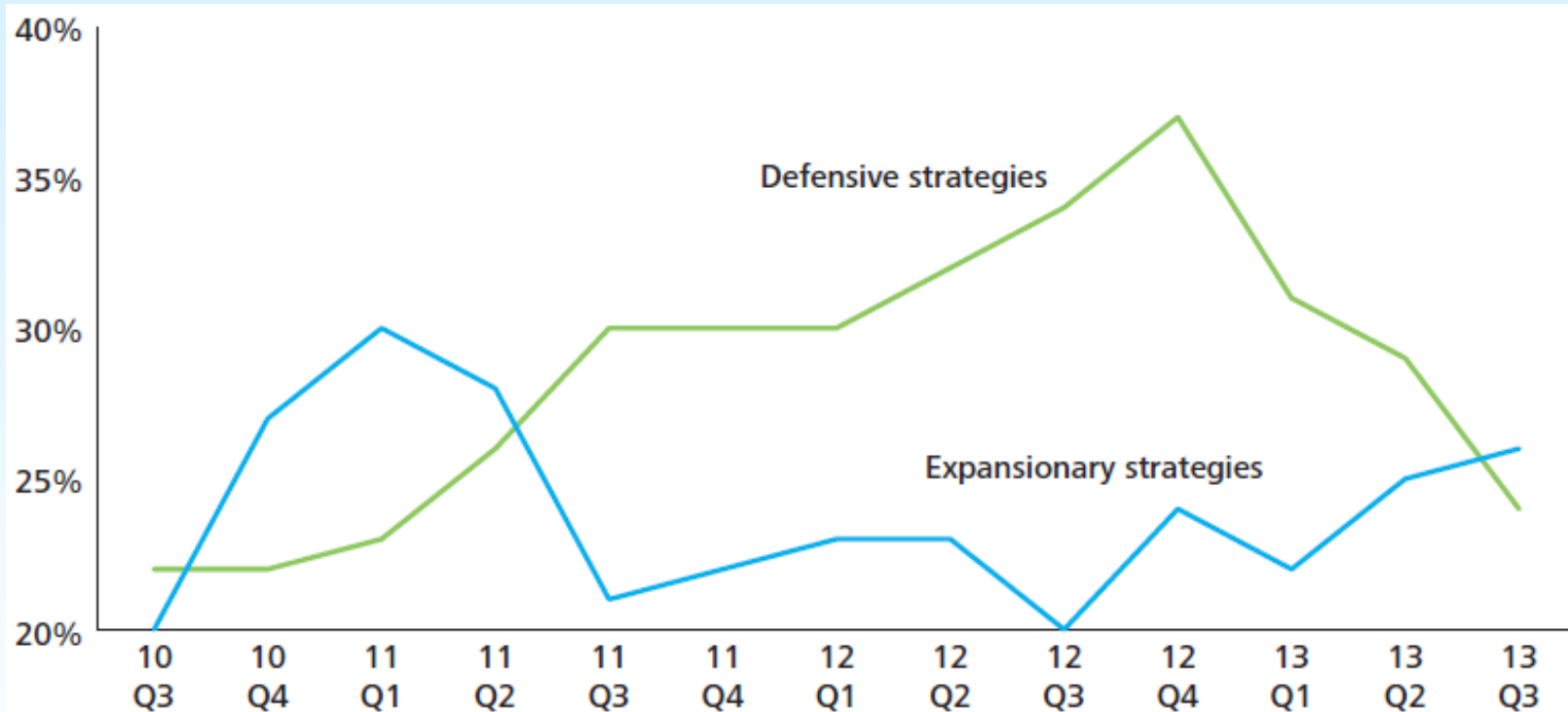
Source: Deloitte CFO Survey

Corporate priorities in the next 12 months

% of CFOs who rated each of the following as a strong priority for their business in the next 12 months



Source: Deloitte CFO Survey



Arithmetic average of the % of CFOs who rated expansionary and defensive strategies as a strong priority for their business in the next 12 months. Expansionary strategies are introducing new products/ services or expanding into new markets, expanding by acquisition and increasing capital expenditure. Defensive strategies are reducing costs, reducing leverage and increasing cash flow.

Global Mega Trends

Demographic
patterns

Empowered
individuals

Resource
crunch

Political
change

Technology

Global
networks of
knowledge

Unstable and
abrupt
change

Prosperity
and wealth

Source: It's (almost) all about me Workplace 2030: Built for Us, Deloitte Australia

- Cautious return to investment and growth
- Over time, this will increase real estate activity
- Lessons learnt during GFC on real estate cost base
- Expect far higher ExCo scrutiny of decisions, seek greater flexibility

.....Increase CRE C-suite interactions

- CRE Executives need to manage demand that is increasingly complex and dynamic

.....Increase the challenge and sophistication of these interactions

Strategy & Portfolio Planning

Tamas Polster,

Head of Consulting Continental Europe



Table of content

1. The Global Context / CEO challenges
2. Portfolio Strategy topics
3. Where does Portfolio Strategy support corporate Objectives
4. Portfolio Alignment Strategy Process
5. Sample outputs



1. Global CEO view on their 5 top challenges in 2013

Americas

- 1: Operational Excellence
- 2: Government Regulation
- 3: Customer Relationship
- 4: Innovation
- 5: Human Capital

“Embrace more flexible and activity based working”

*“Ensure CRE consistency with **Regulations**”*

“Allow rapid market deployment”

EMEA

- 1: Human Capital
- 2: Operational Excellence
- 3: Innovation
- 3: Global Political Economic Risk
- 5: Customer Relationship

“Break silos, transform the office into meeting hubs”

*“Resilience to local **Political** risk”*

ASIA

- 1: Human Capital
- 2: Innovation
- 3: Operational Excellence
- 4: Global Political Economic Risk
- 5: Global Expansion

“Align footprint to operations”

*“Follow demographic and urban trends to tap into new **talent pools**”*

*“Anticipate and mitigate occupational **COST** increase”*

When does Real Estate support

2. Portfolio Strategy Hot topics

<i>Global CEO Challenges (1)</i>	Strategy to meet CEO Objectives	CRE Strategy hot topics
1. Human Capital	<ul style="list-style-type: none"> • Raise employee engagement, • Recruit and retain critical talent • Grow talent internally, 	<ul style="list-style-type: none"> • Workplace • Urban Dynamics
2. Operational Excellence	<ul style="list-style-type: none"> • Raise employee productivity, • Break down Silos, • Reduce base line costs, • Align strategy and organisation 	<ul style="list-style-type: none"> • CRE Organisation • Outsourcing • Portfolio Alignment • Cost reductions
3. Innovation	<ul style="list-style-type: none"> • Apply new technologies, • Engage in strategic alliance with suppliers, • Incentivise innovation 	<ul style="list-style-type: none"> • Evolve from supplier to strategic CRE partner
4- Political & Eco Risk	<ul style="list-style-type: none"> • Establish crisis mgt teams & procedures • Reduce exposure to risky countries/regions 	<ul style="list-style-type: none"> • Location Strategies
5. Gov regulation	<ul style="list-style-type: none"> • Reinforce compliance procedures 	<ul style="list-style-type: none"> • Lease Acc Changes
6. Customer Relationship	<ul style="list-style-type: none"> • Enhance quality of products/services • Increase speed of products to market 	<ul style="list-style-type: none"> • Increase portfolio flexibility
7. Global Expansion	<ul style="list-style-type: none"> • Monitor and anticipate markets 	<ul style="list-style-type: none"> • Location Strategies
8. Sustainability	<ul style="list-style-type: none"> • Apply best practice 	<ul style="list-style-type: none"> • Sustainability

3. Where does Portfolio Strategy support corporate Objectives

Global CEO Challenges (1)	Strategy to meet Objectives identified by CEO survey (1)	How can Portfolio Strategy support
1 Human Capital	<ul style="list-style-type: none"> • Raise employee engagement, • Recruit and retain critical talent • Grow talent internally, 	<ul style="list-style-type: none"> • Workplace is a key engagement enabler • Location strategies are essential to tap into sustainable talent pools
2 Operational Excellence	<ul style="list-style-type: none"> • Raise employee productivity, • Break down Silos, • Reduce base line costs, • Continuous improvement, • Align strategy and organisation 	<ul style="list-style-type: none"> • Working environment must evolve to support changing production patterns and increase productivity. • CRE represents on average 9% of services sector output with significant saving potential. • Having the right operational CRE portfolio
3 Innovation	<ul style="list-style-type: none"> • Apply new technologies, • Engage in strategic alliance with suppliers, • Incentivise innovation 	<ul style="list-style-type: none"> • Significant value can be delivered through increase engagement with CRE suppliers • Physical facilities and workplace have to become both enablers and target of innovation
4 Customer Relationship	<ul style="list-style-type: none"> • Enhance quality of services, increase speed of products to market, 	<ul style="list-style-type: none"> • Ability to deploy facilities in emerging markets, • Flexible & scalable portfolio,

(1) Source: Conference Board 2013 survey of 729 global CEO

4. Property Portfolio Strategy alignment process

1 Understand demand

Identify future demand drivers

- Key business objectives
- Headcount evolution
- Sustainability targets
- Location requirements

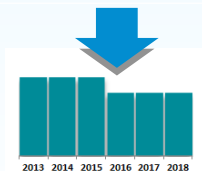


Objectives and demand profile established

2 Baseline Supply

Establish key portfolio metrics

- Lease constraints
- Footprint
- Occupancy
- Space standards
- Costs per desk
- Flexibility



Portfolio supply metrics captured

3 Benchmark performance

Identify portfolio performance and improvement levers

- Apply best practice
- Use sector benchmarks
- Market to market benchmarks

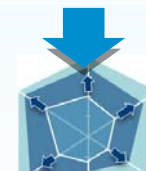


Target KPI and market relative performance

4 Portfolio Options

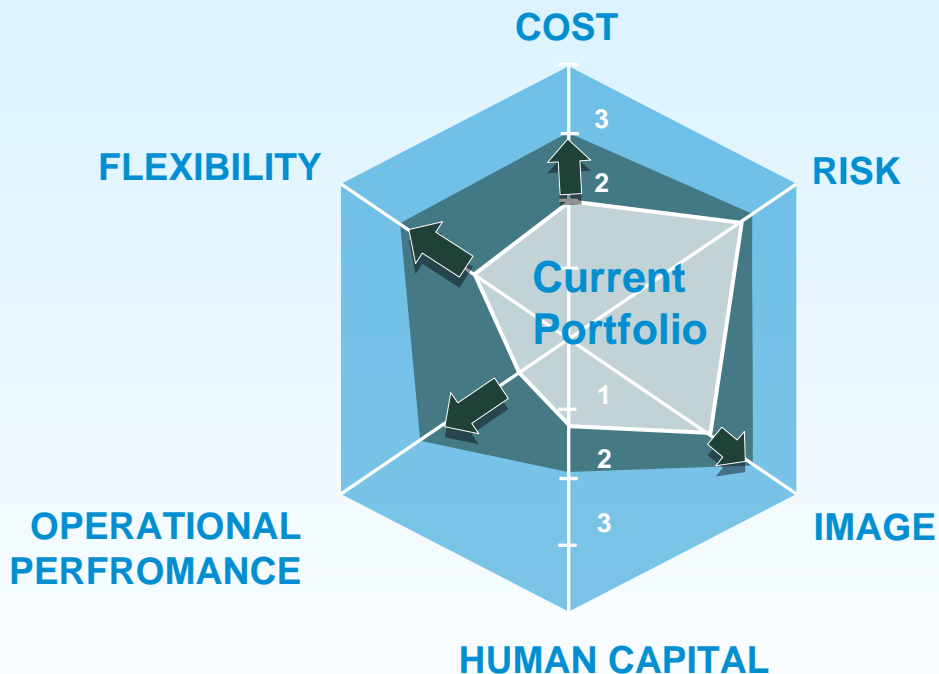
Model options alongside operational and financial criteria

- P&L implication
- CF impact
- Operational
- Deliverability / risks
- Timescale



Options modelled against key decision factors

4. Property Portfolio Strategy alignment process



Each organization has a different set of strategic objectives and constraints, therefore Portfolio Performance can only be established based on detailed understanding of these drivers .

Based on interviews with management key drivers of Portfolio performance must be established.

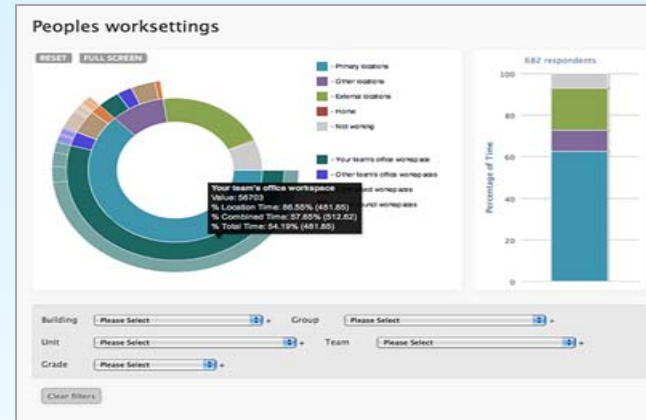
These objectives will need to be weighted to provide the right arbitrage between conflicting impact on portfolio.

Sample outputs

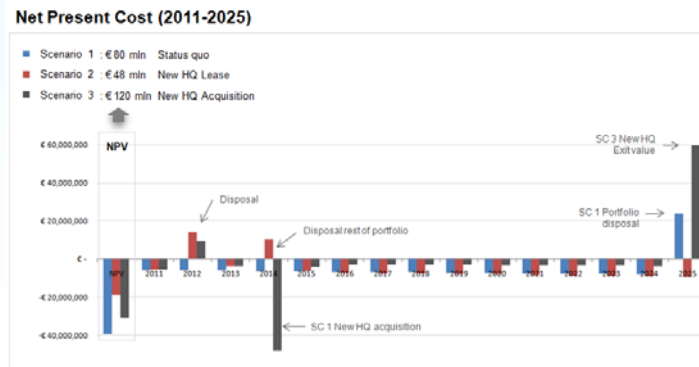
Labour analytics



Workplace analysis



Cash Flow Impact



Access times



Workplace

Robert McLean
Real Estate, PWC

Who we are



tp bennett



COMMScope™

Deutsche Bank



Orbit Architects



Aon Hewitt

Deloitte.

DIAGEO

Herman Miller



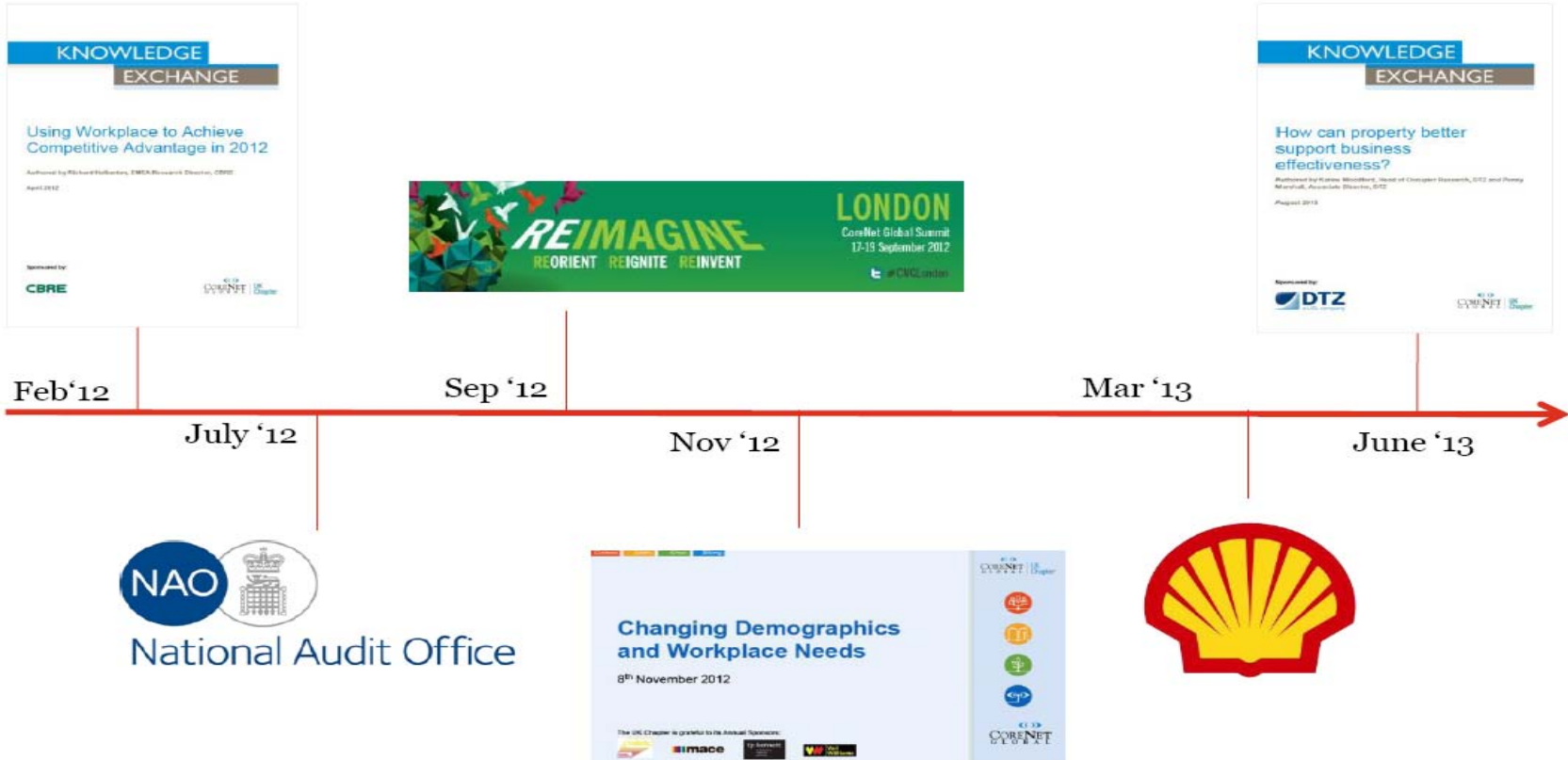
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What we've been doing

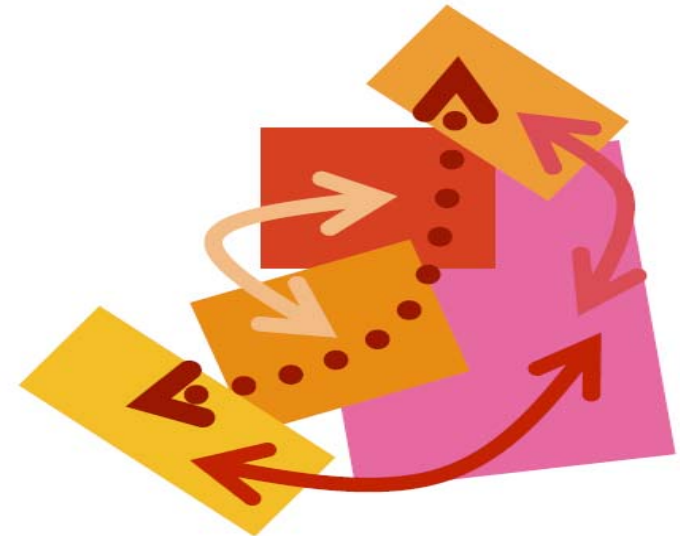


Workplace hot topics

Is it a squeeze

Old dog new tricks

What's the mix



New offices next 12 months

Norwich



Edinburgh

Gatwick



Reading



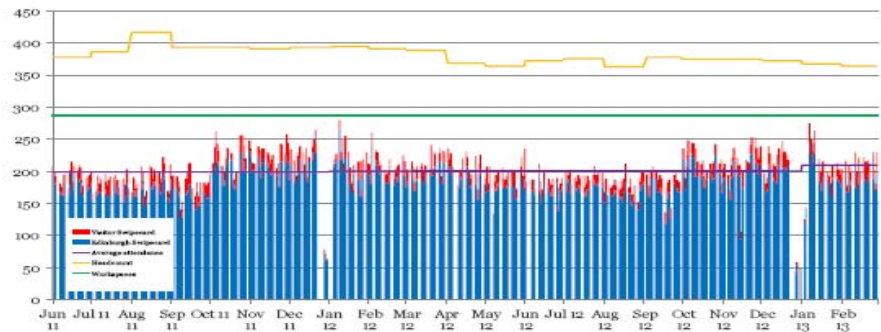
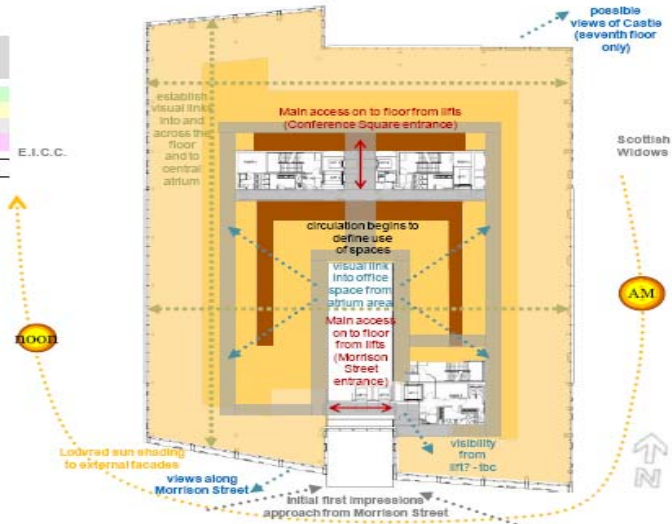
Newcastle



Sheffield

Is it a squeeze how much space do you need?

Working Location	LoS	Headcount by Line of Service					Total HC	Sharing Ratio for Manager & Below	Workspaces Required		
		Partner	Director	Snr. Manager	Manager & Below	Support			Offices	Open	Total WS
Edinburgh Erskine House	Advisory	6	13	21	37		77	13:1	6	62	68
	Assurance	7	5	23	142	2	179	3:1	7	77	84
	IFS	1		4	17	27	49	1:1	1	48	49
	Tax	3	3	14	39		59	13:1	3	47	50
	Total	17	21	62	235	29	364	14	17	235	252



Is it a squeeze how much space do you need?



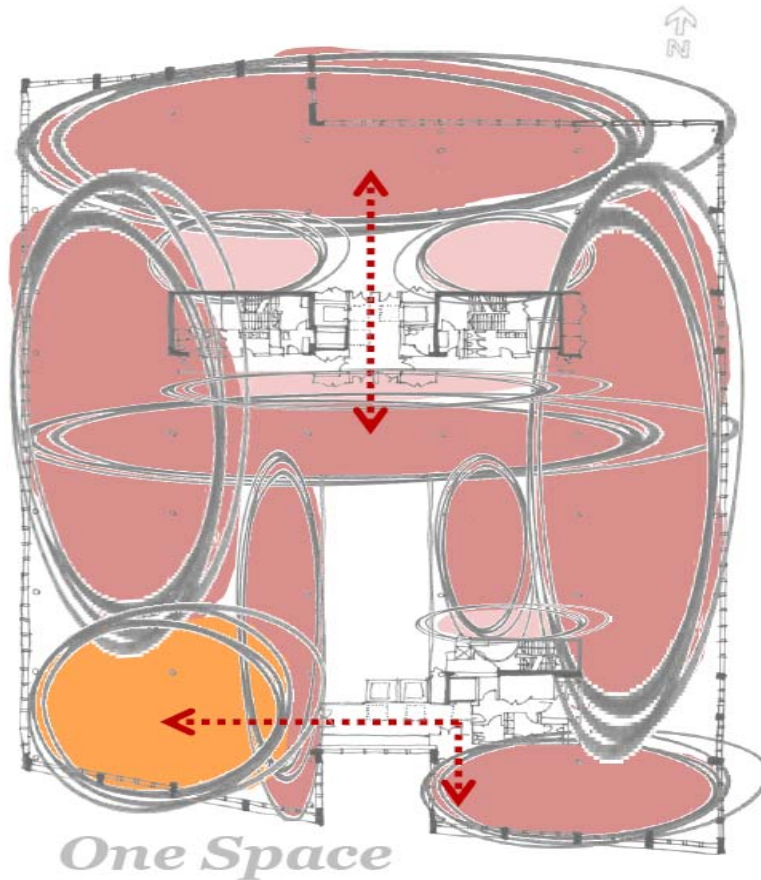
Is it a squeeze how much space do you need?



Is it a squeeze how much space do you need?



Is it a squeeze how much space do you need?



Is it a squeeze how much space do you need?

client engagement

local community

catalyst for change

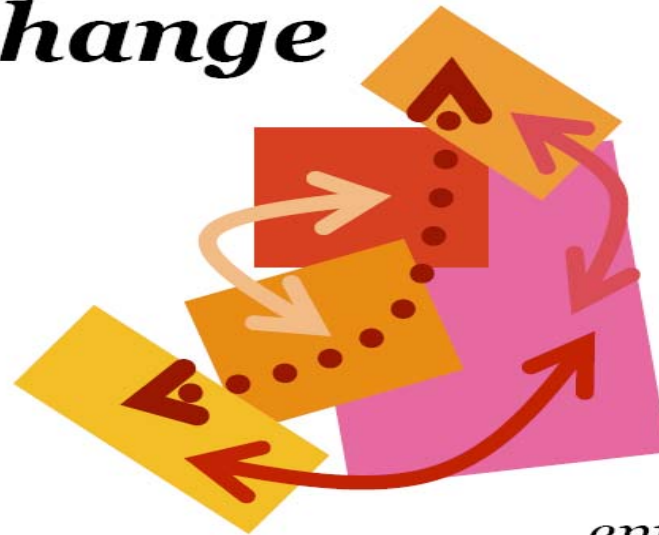
one firm culture

external perception

behaviours

staff engagement

office environment



‘more than just an office move’

Is it a squeeze how much space do you need?

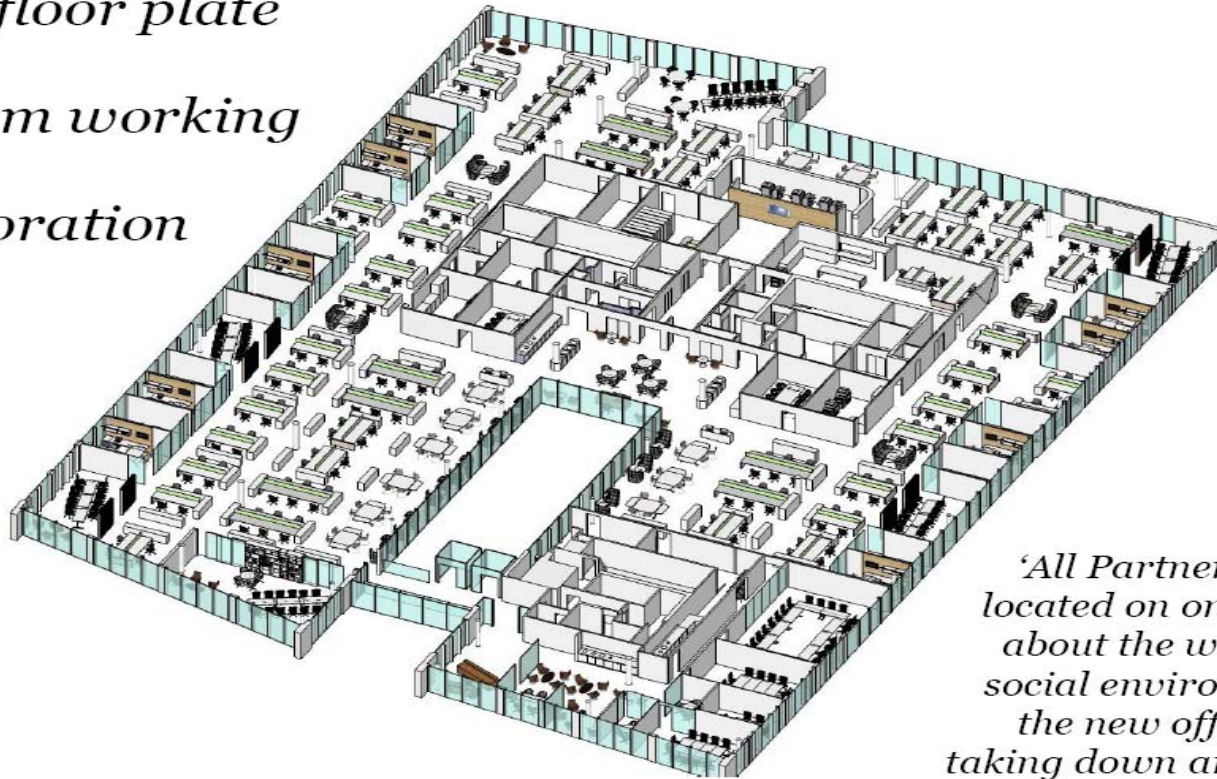


Is it a squeeze how much space do you need?

Single floor plate

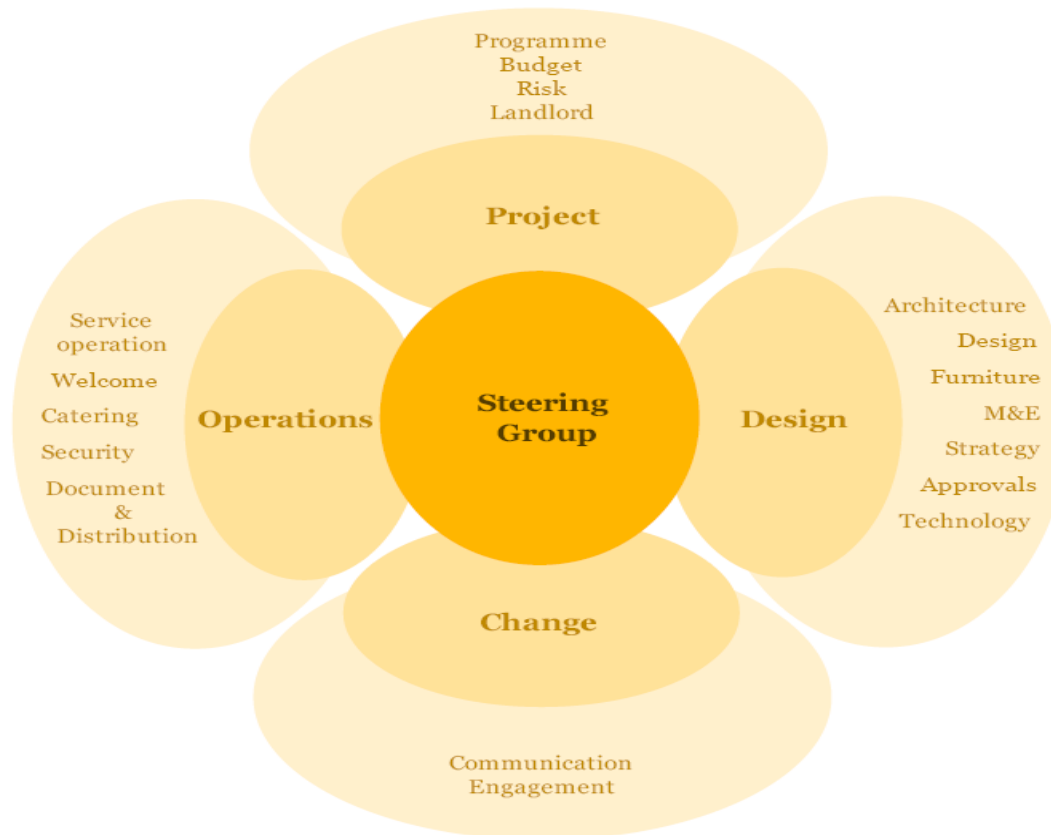
One firm working

Collaboration



'All Partners and staff located on one floor. It's about the working and social environment that the new office creates, taking down any physical barriers to 'one firm' working.'

Old dog new tricks can you truly change behaviours?



Old dog new tricks can you truly change behaviours?



How can the new office ensure we have a strong presence in the *community*?



How do you want to *work together* in the future?

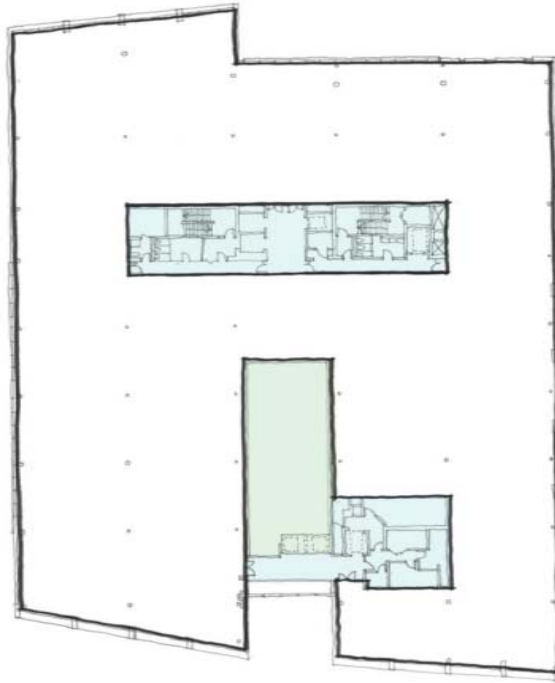
How do you envisage you will be working with your *clients* in 5 years time?



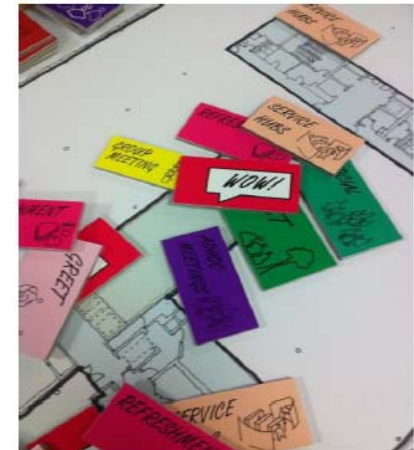
Edinburgh
'Together: One Firm, One Space, One Future.'

pwc

Old dog new tricks can you truly change behaviours?



How do you envisage your space?

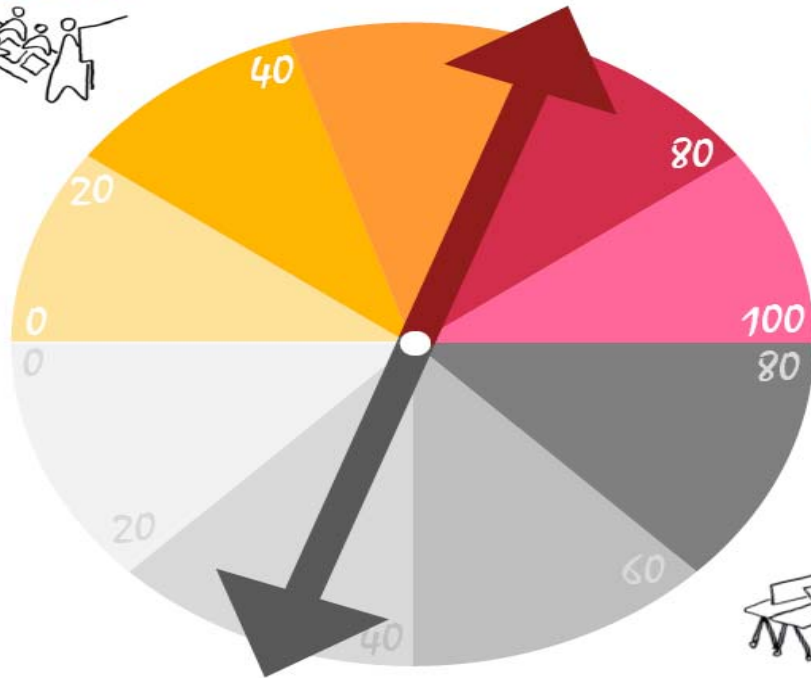


Old dog new tricks can you truly change behaviours?



What's the mix & doing something different

'choice'



'traditional'

