

## Reactive agility in a volatile business world Deloitte CFO Survey

***Anthony Duggan***

Head of Real Estate Research

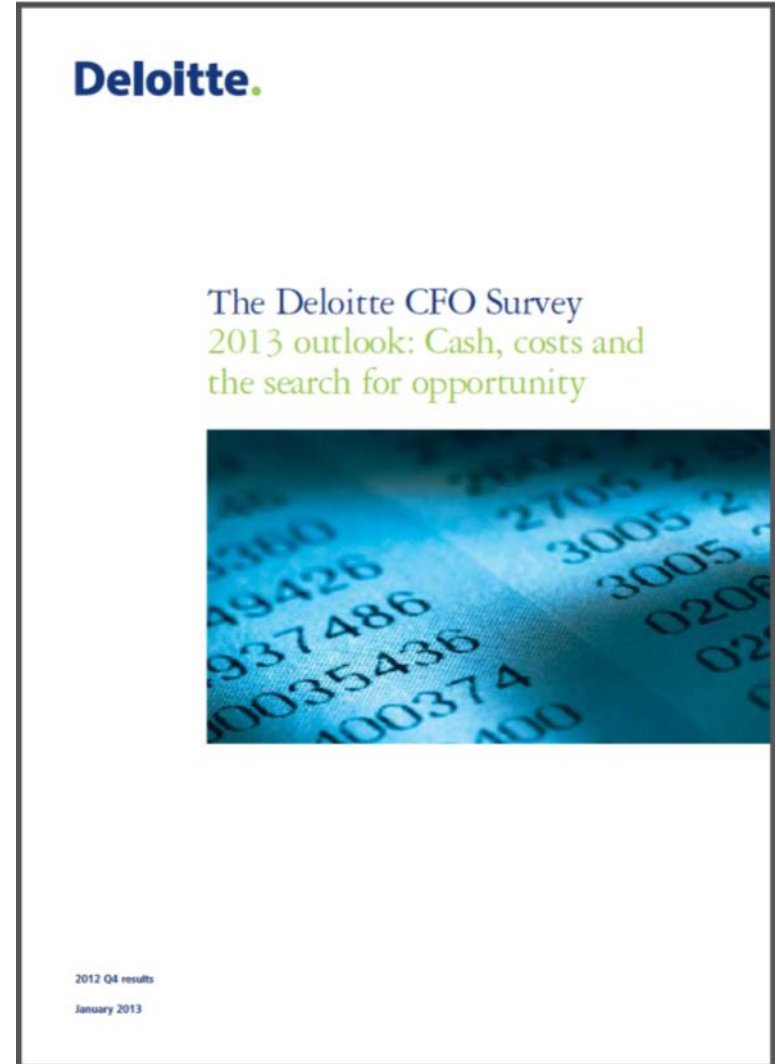
[aduggan@deloitte.co.uk](mailto:aduggan@deloitte.co.uk)

Twitter: [@anthonyrduggan](https://twitter.com/anthonyrduggan)



# The Deloitte CFO Survey

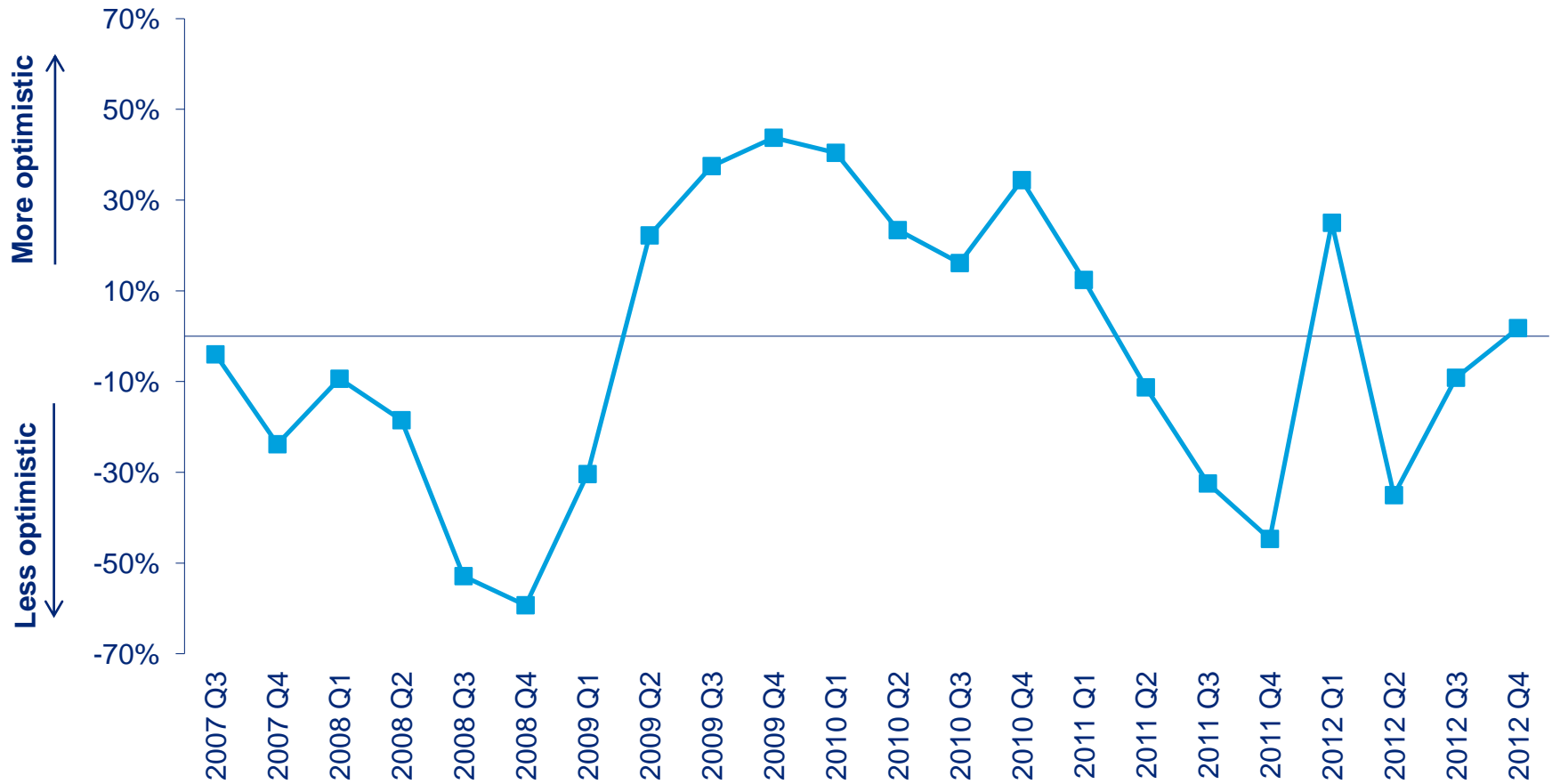
- **Results from 112 CFOs**
  - 36 FTSE 100
  - 38 FTSE 250
  - £672Bn or 35% of UK quoted market
- Benchmark for CFO sentiment
- Widely quoted in the media
- Used by the Bank of England



The CFO's view

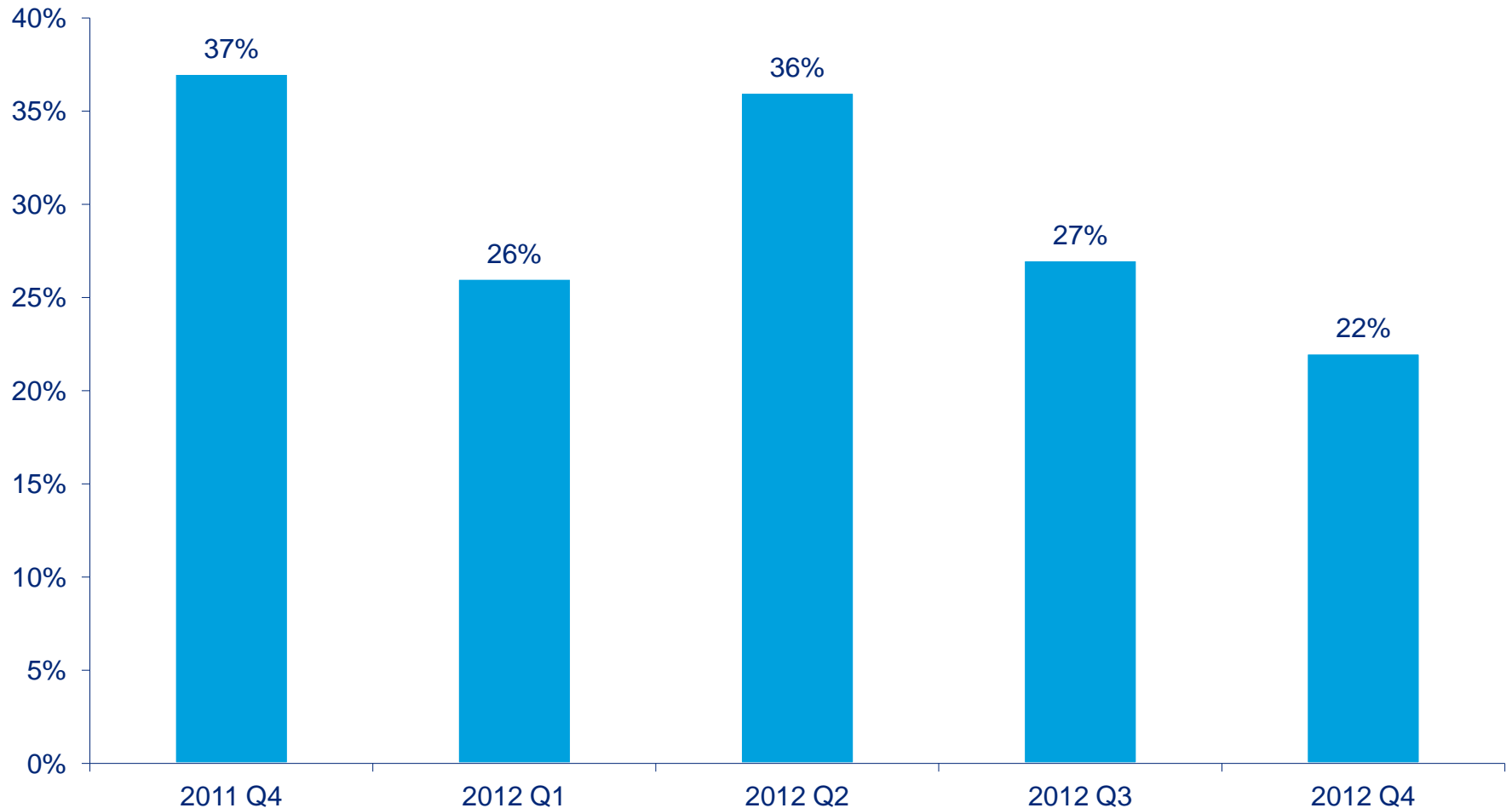
# Business confidence on the rise (again!)

CFOs who are more optimistic about their company's financial prospects than 3 months ago



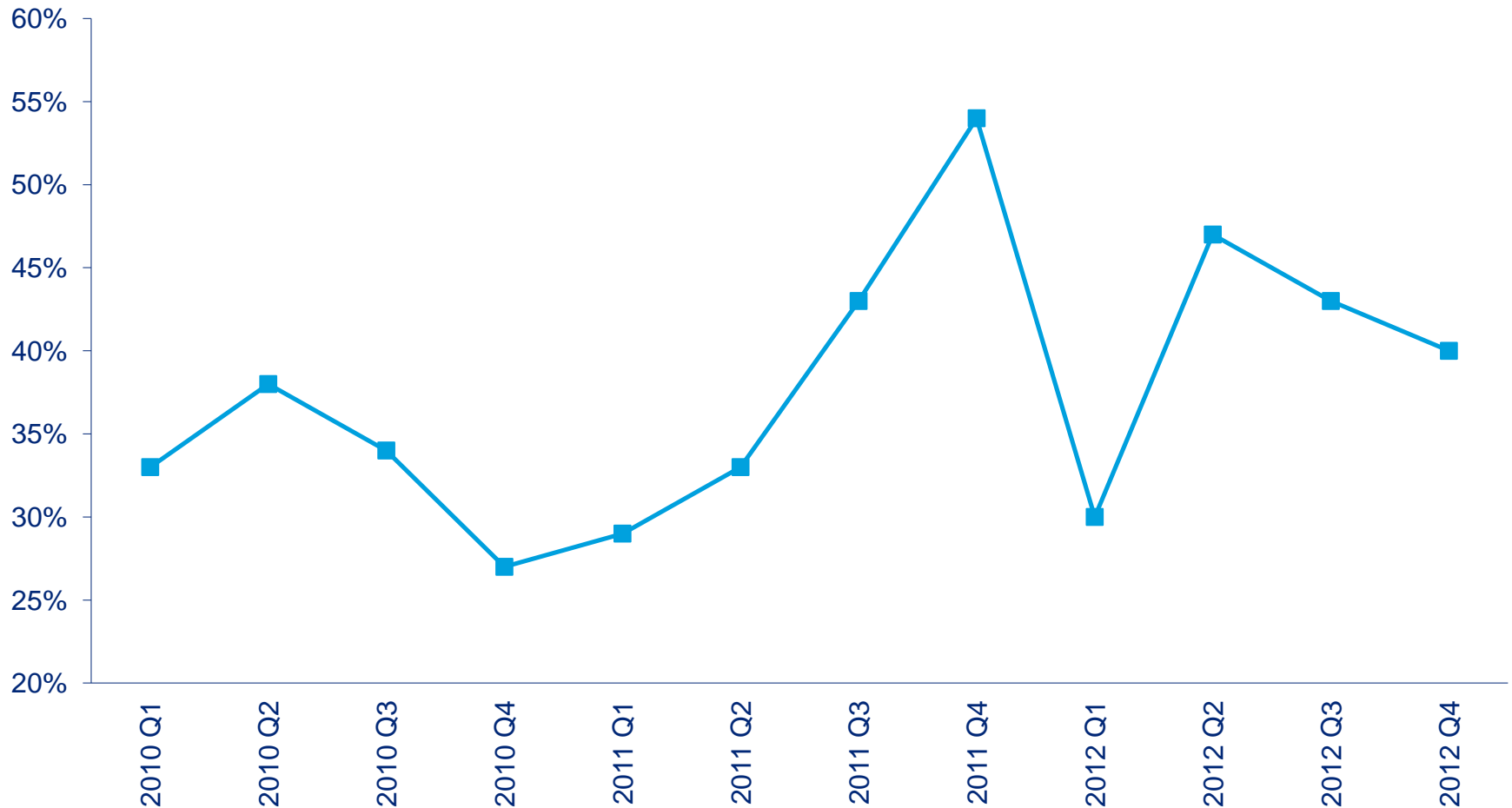
# Risk of euro secession continues to ease

Likelihood of a Eurozone member leaving the single currency in the next 12 months



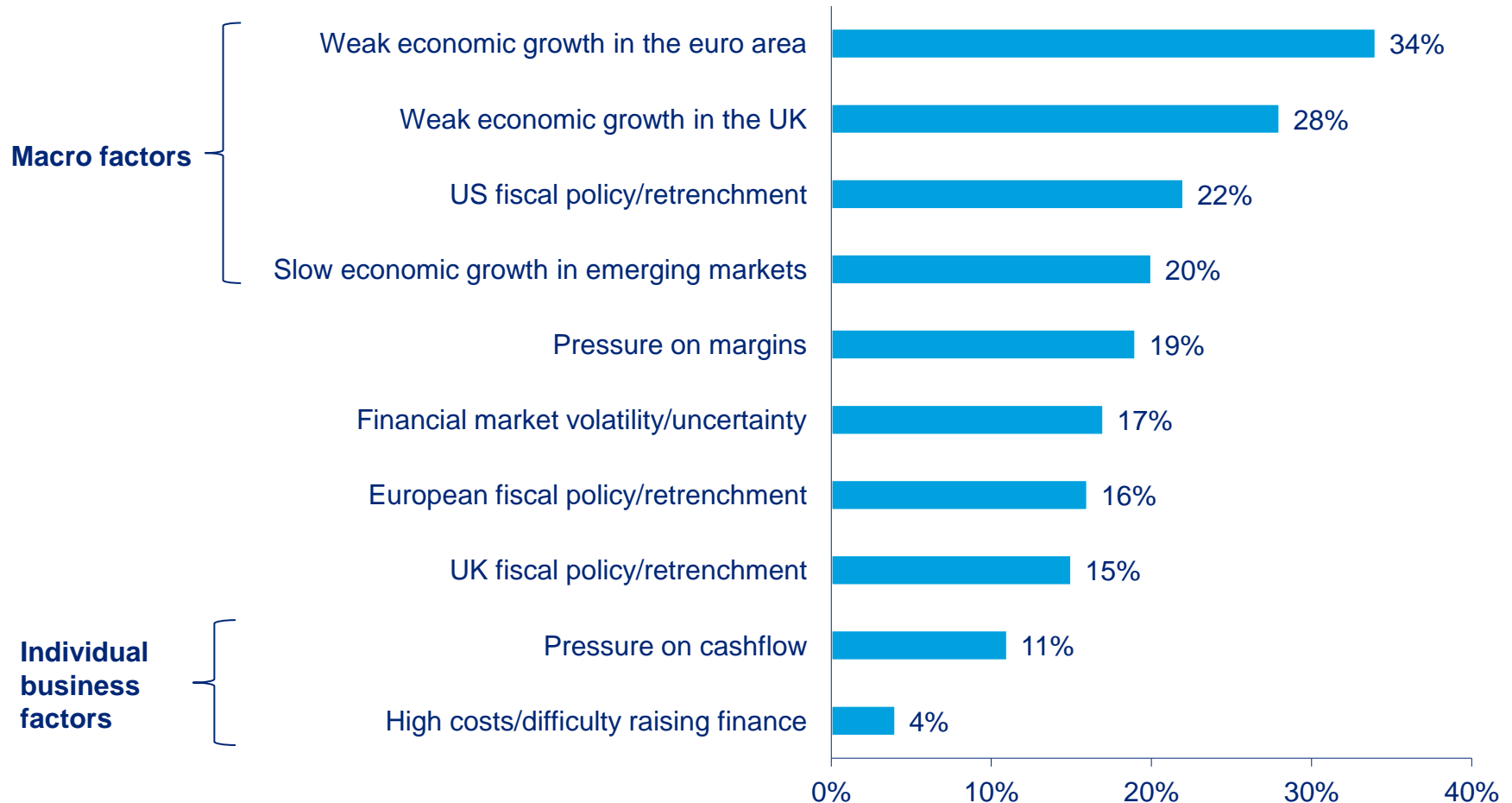
# Recessionary concerns have eased too

Average probability assigned by UK CFOs of a continuing recession in the next two years



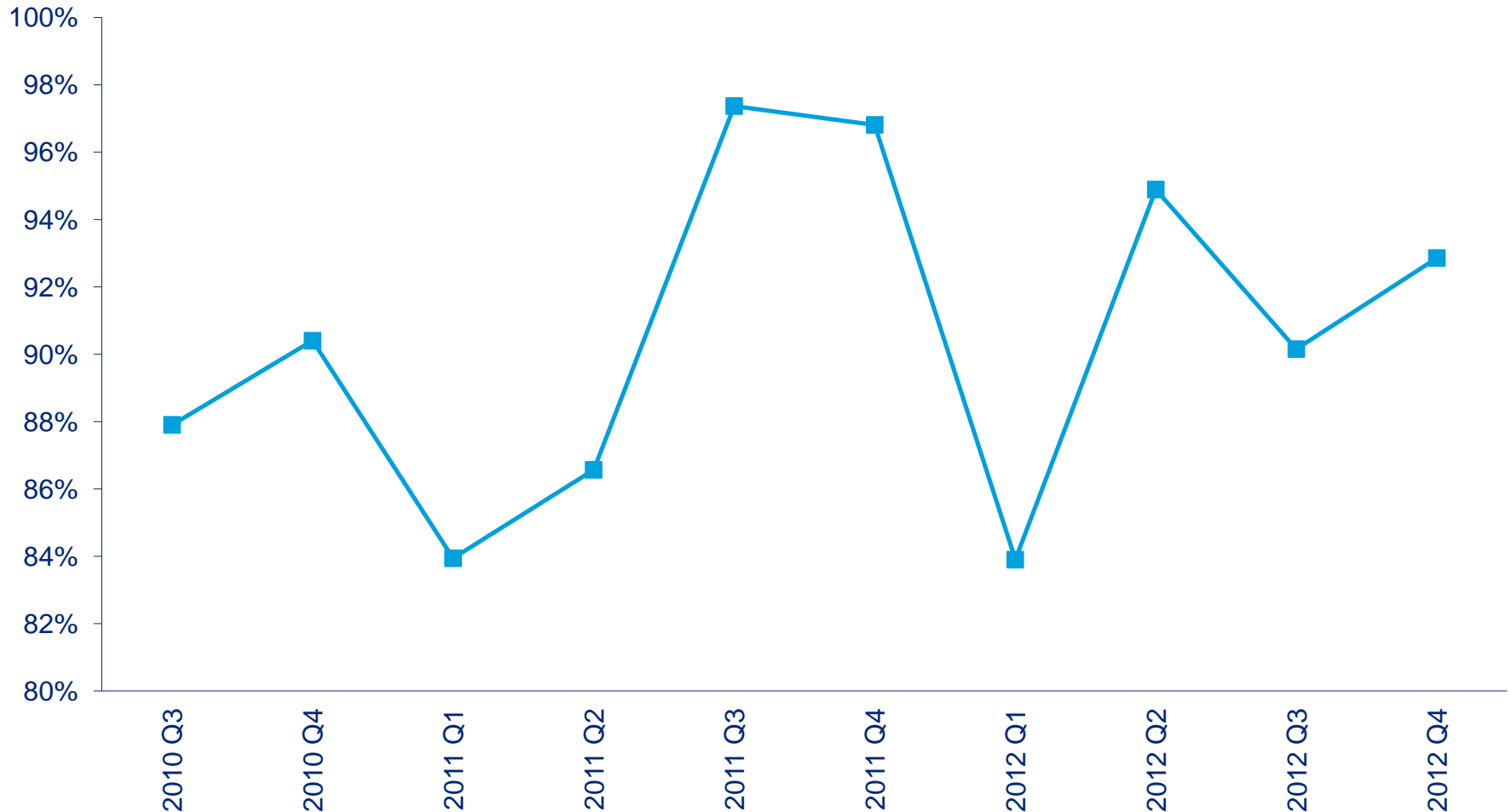
# Economic growth greatest concern for CFOs

% of CFOs very concerned about the following issues affecting their business in 2013



# Levels of uncertainty remain elevated

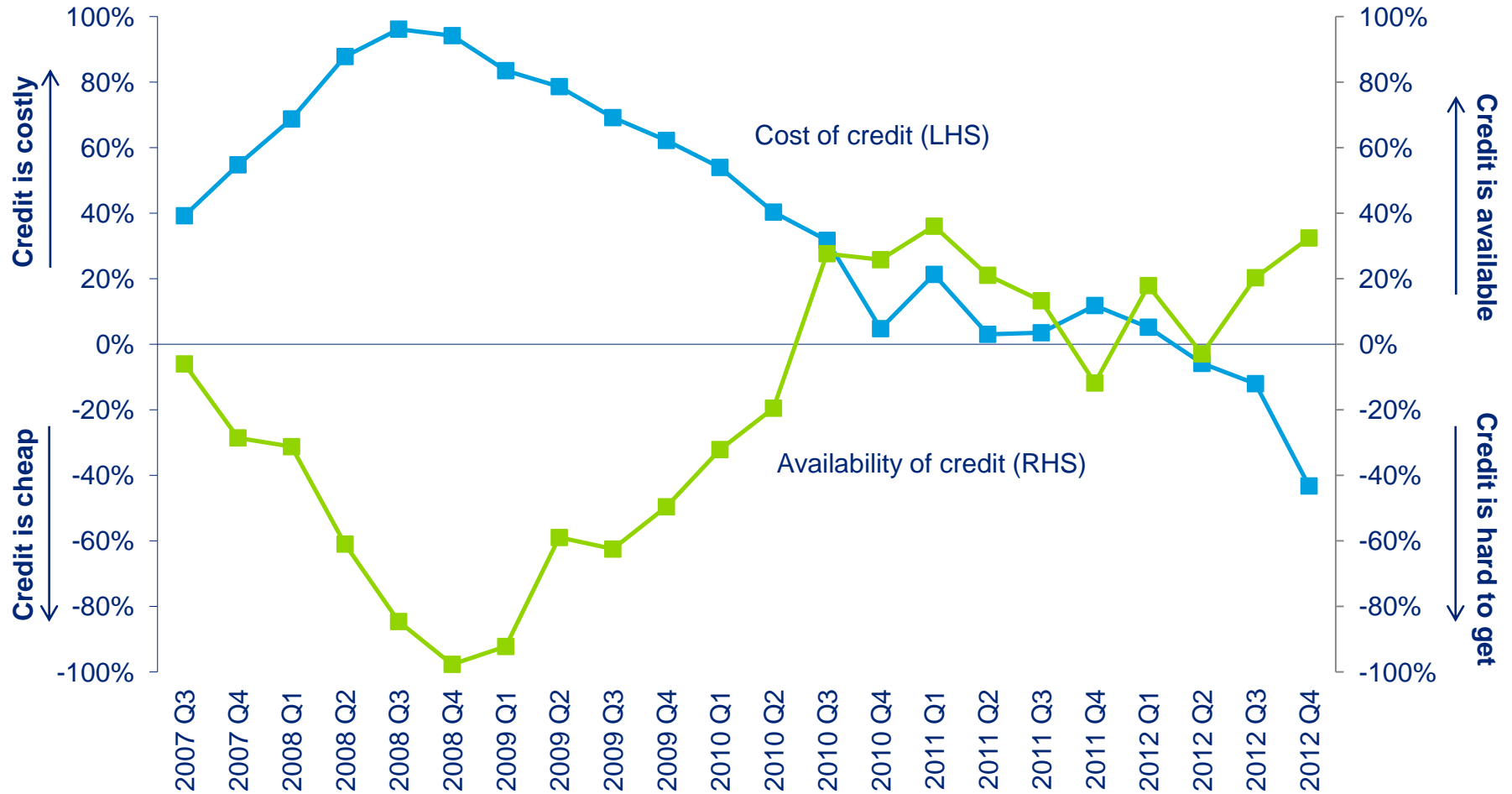
% of CFOs who rate uncertainty as being above normal, high or very high





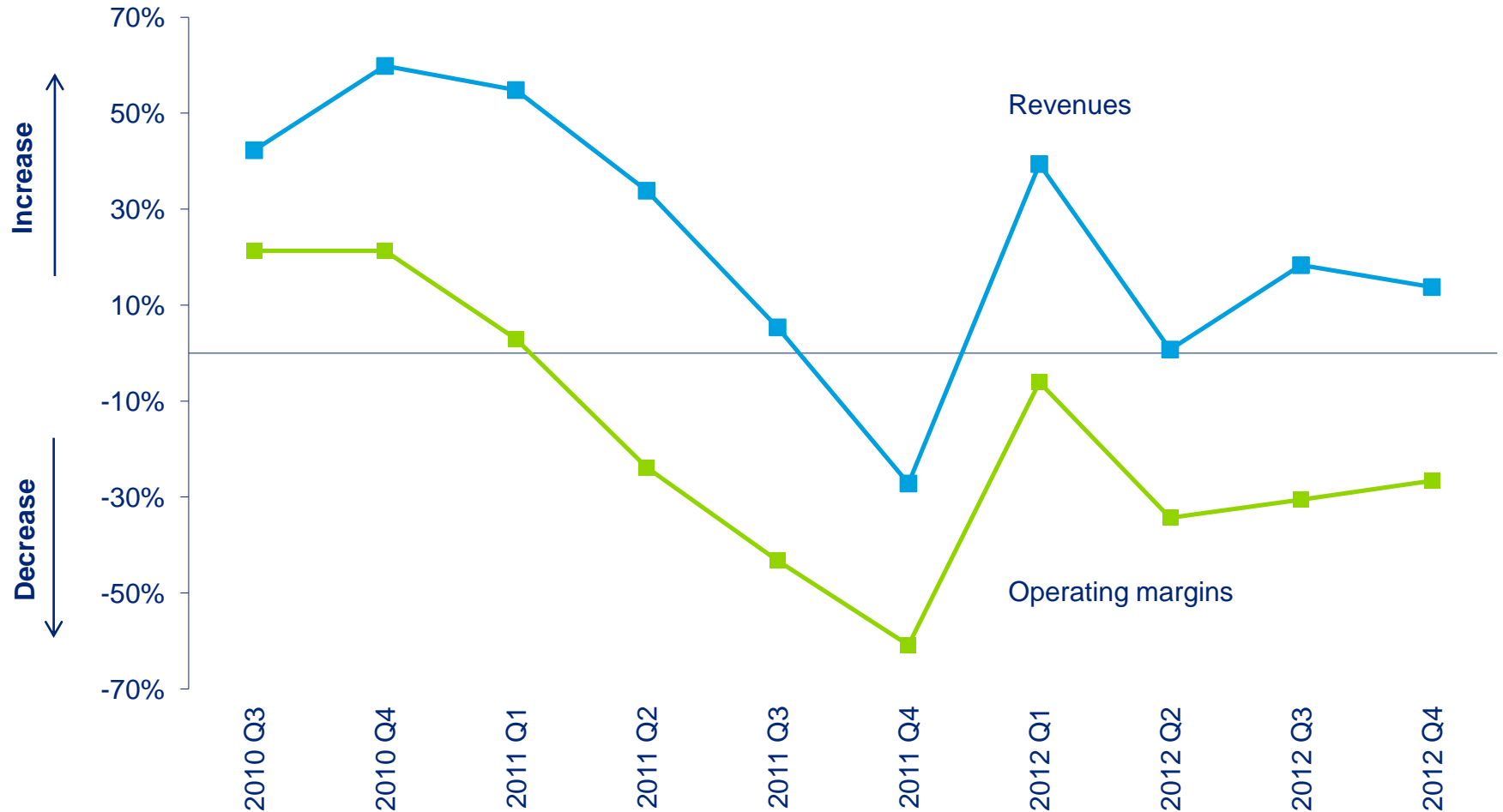
# Cost of credit at five-year low

Cost and availability of credit



# Operating margins remain under pressure

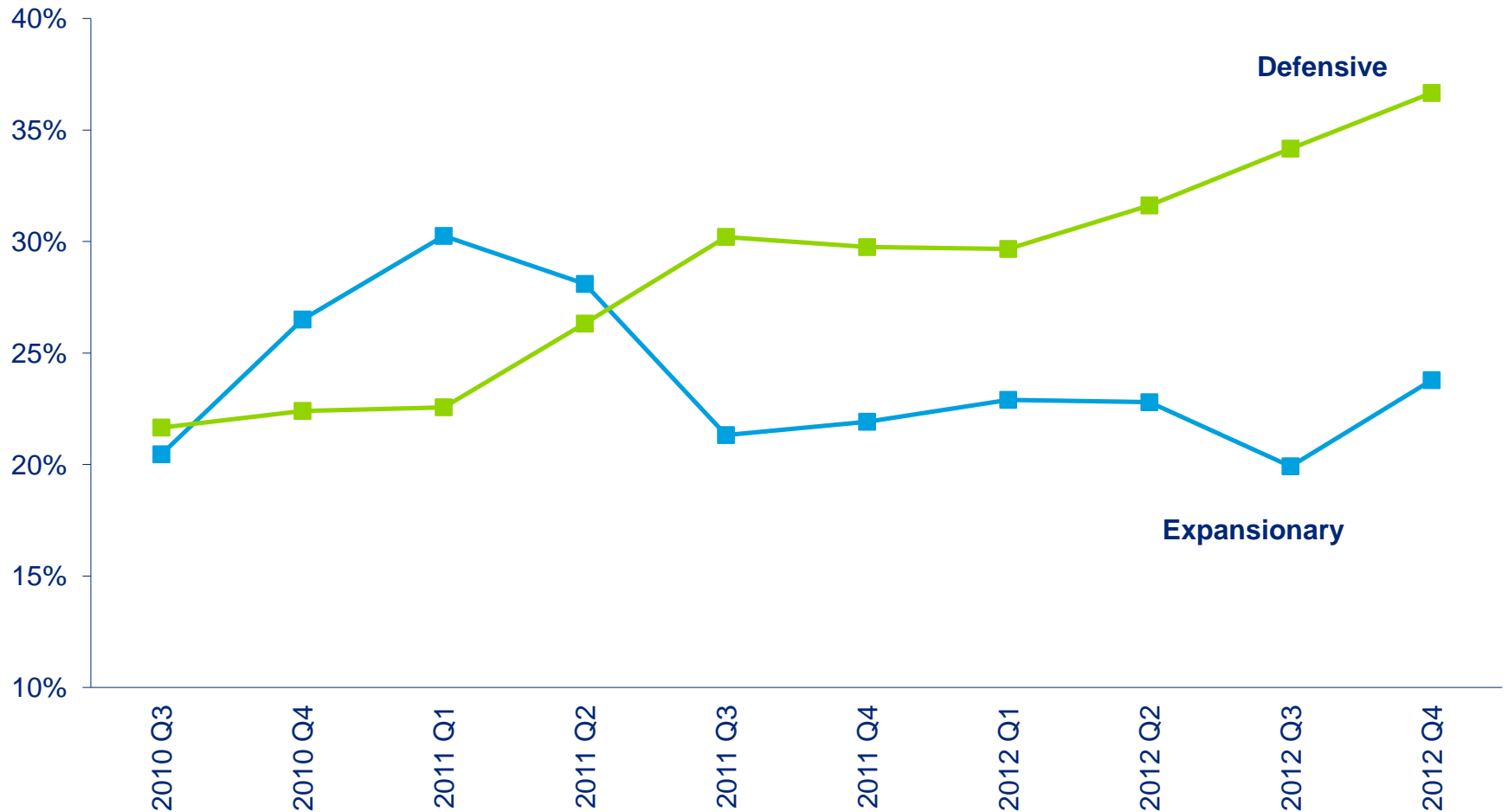
% of CFOs who expect revenues and operating margins to increase over the next 12 months



What are the current priorities?

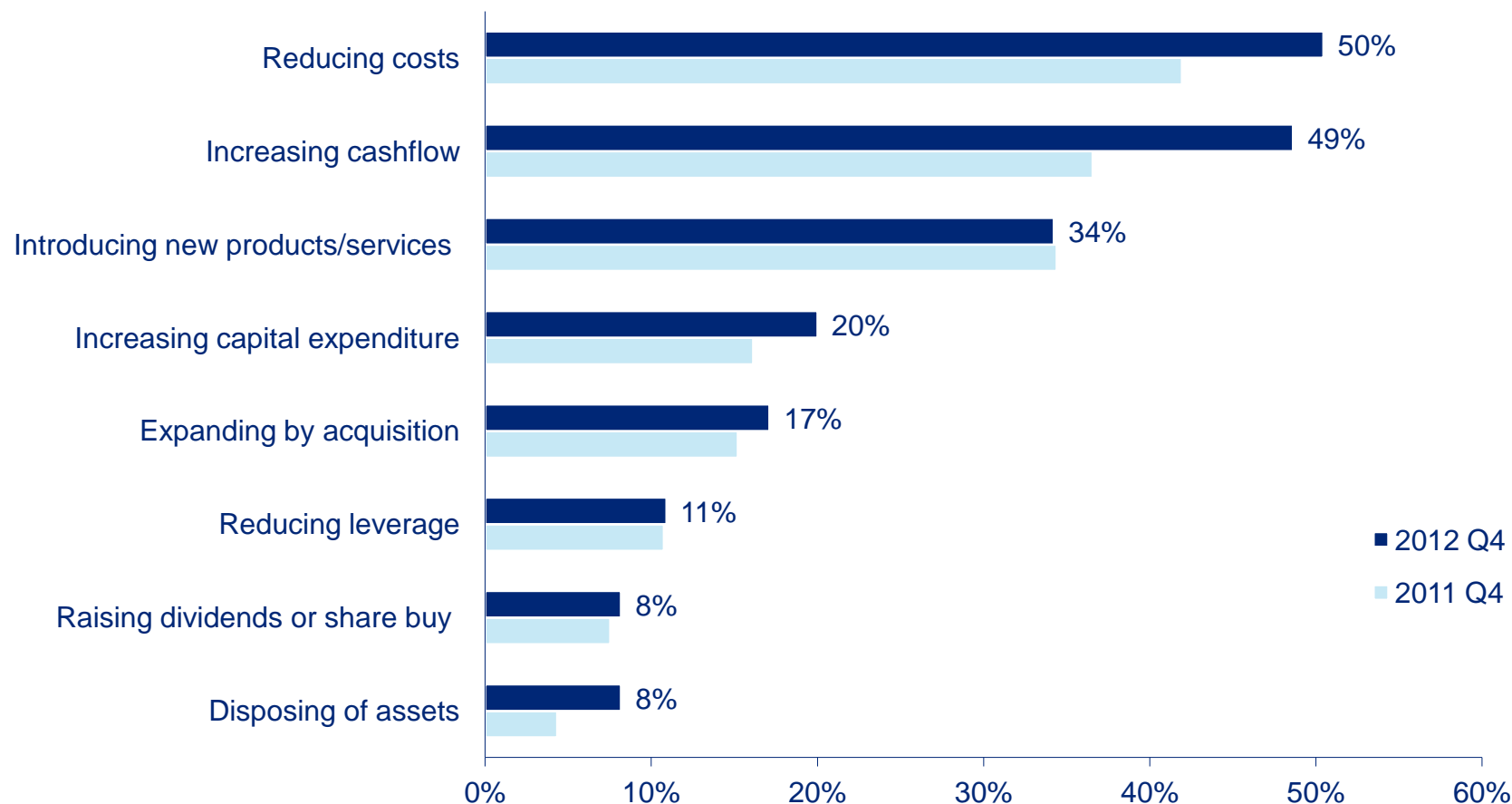
# Corporates remain defensive

## CFO priorities: Expansionary vs. defensive strategies



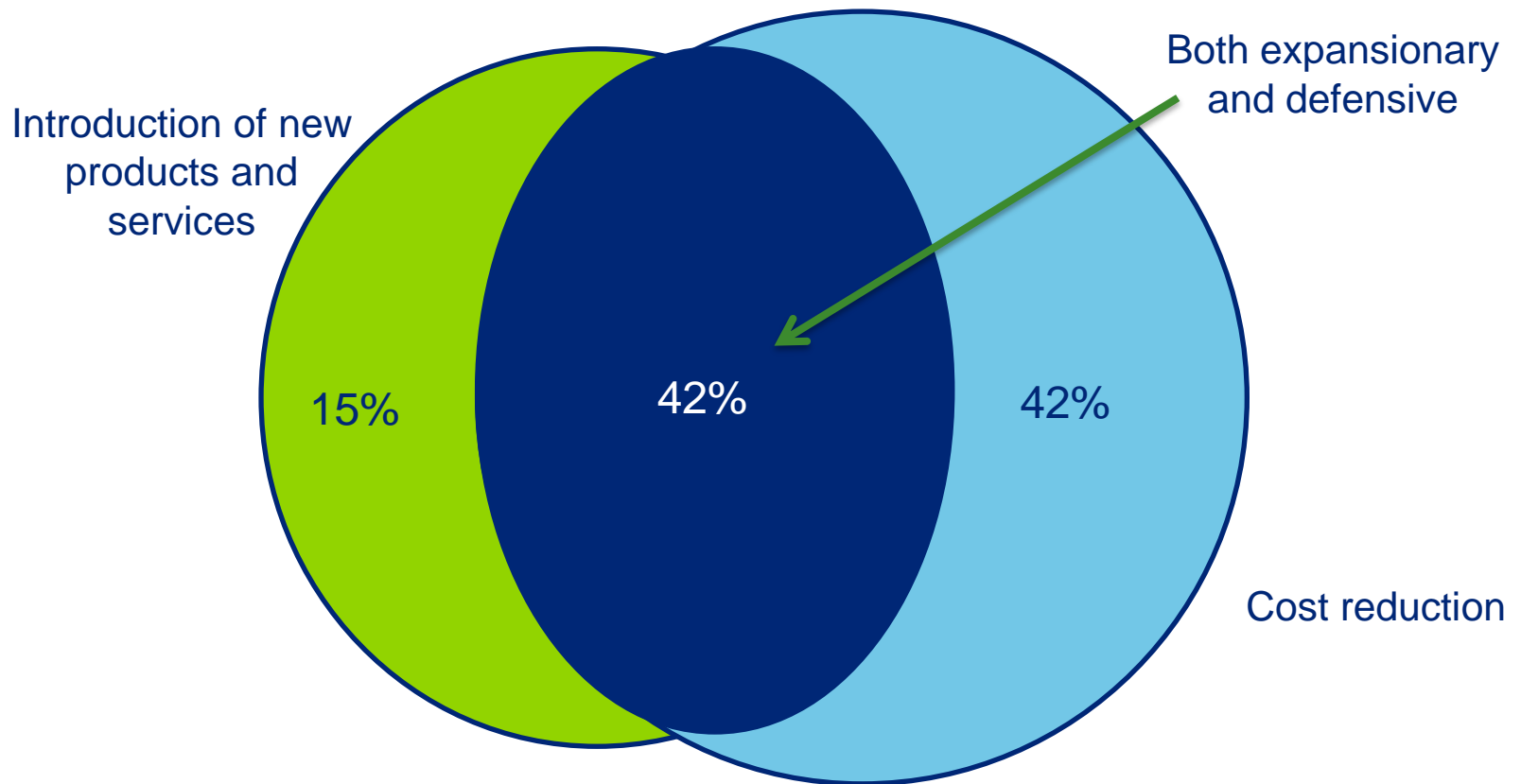
# Cost control and increasing cash flow top priorities

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



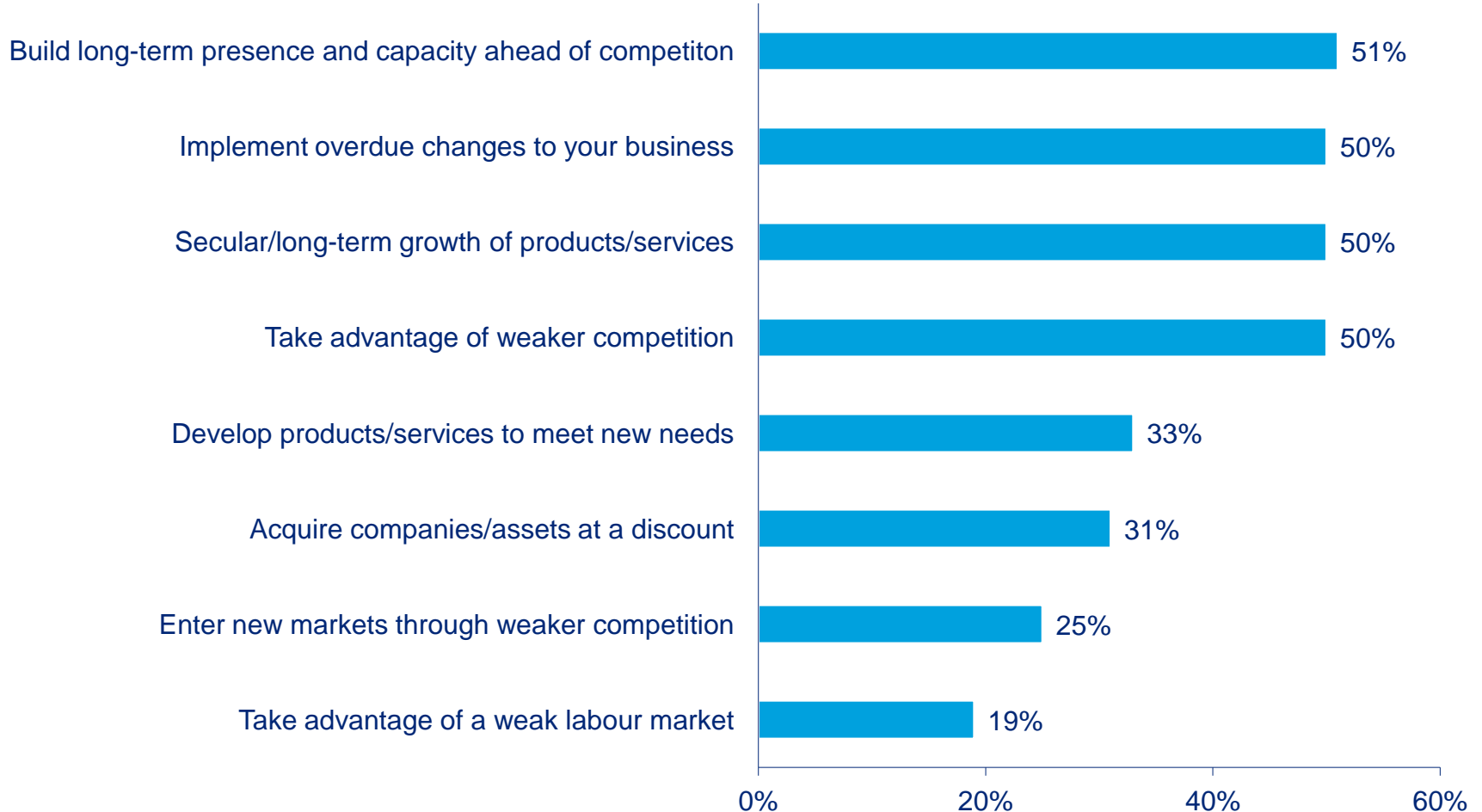
# Corporates can be defensive and expansionary

Many firms identify both cost reduction and introducing new products/services as strong priorities



# There are opportunities in 2013

## Where CFOs see opportunities in 2013

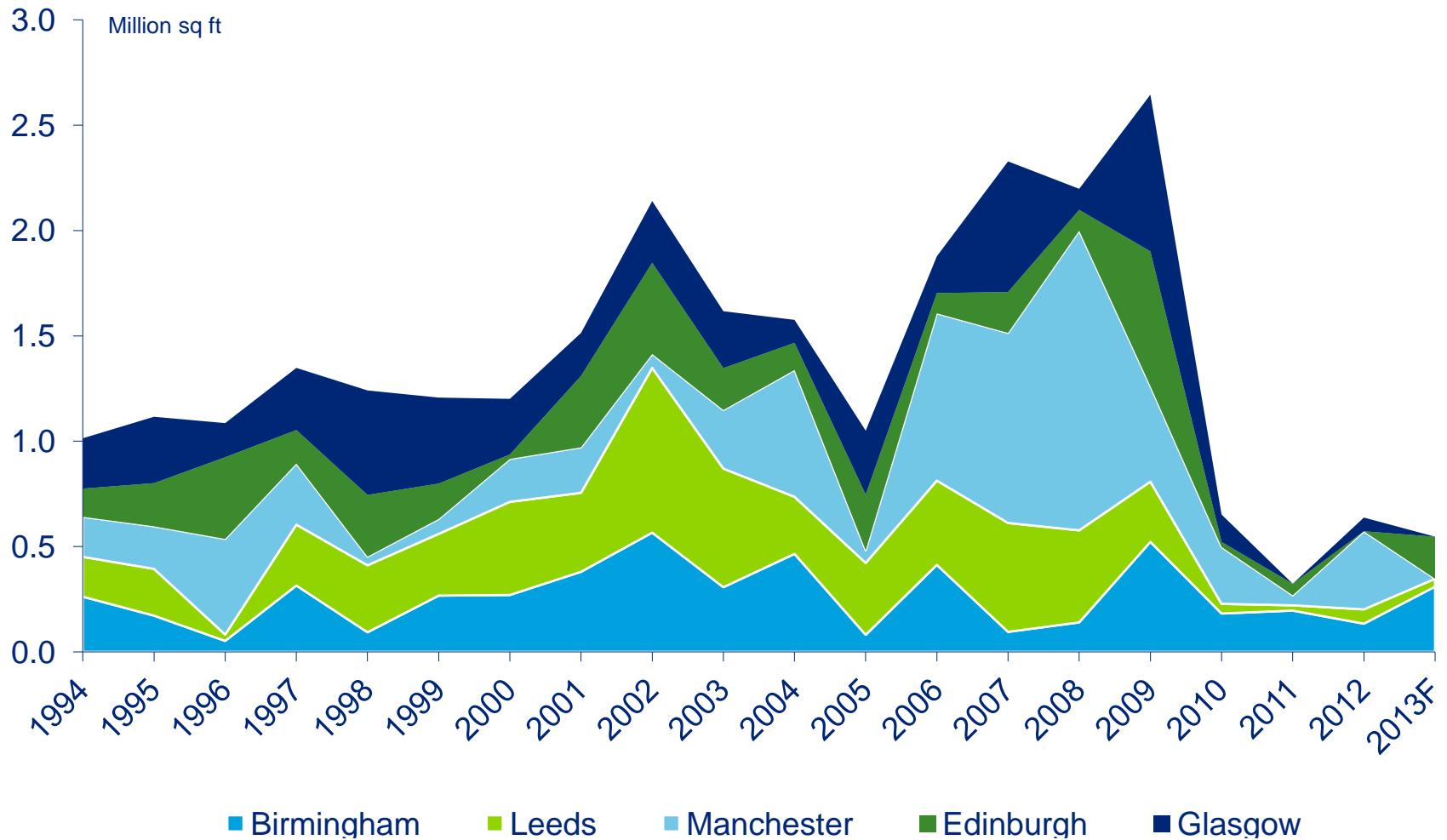


The impact on real estate



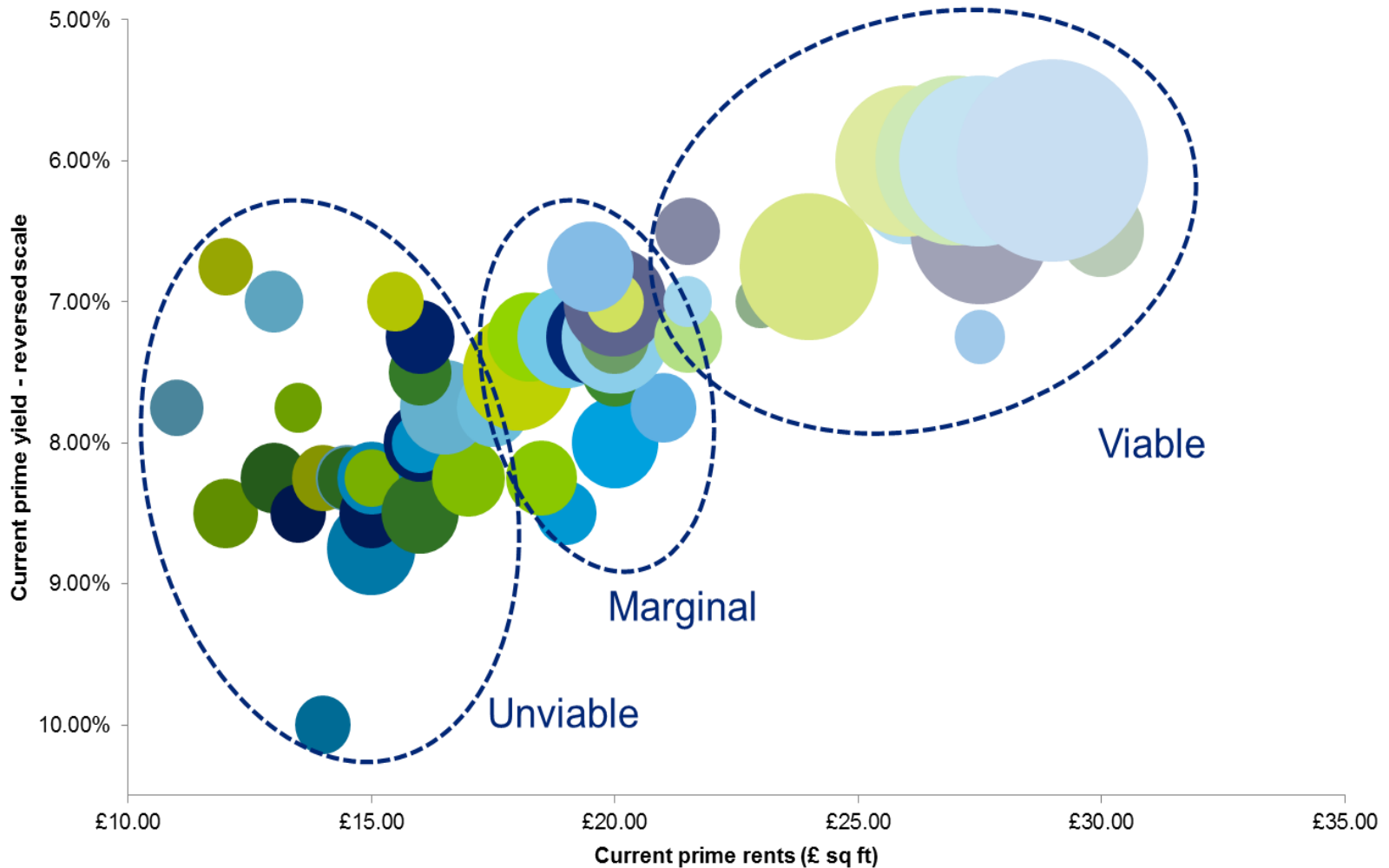
# Low levels of office construction activity

City centre office construction activity



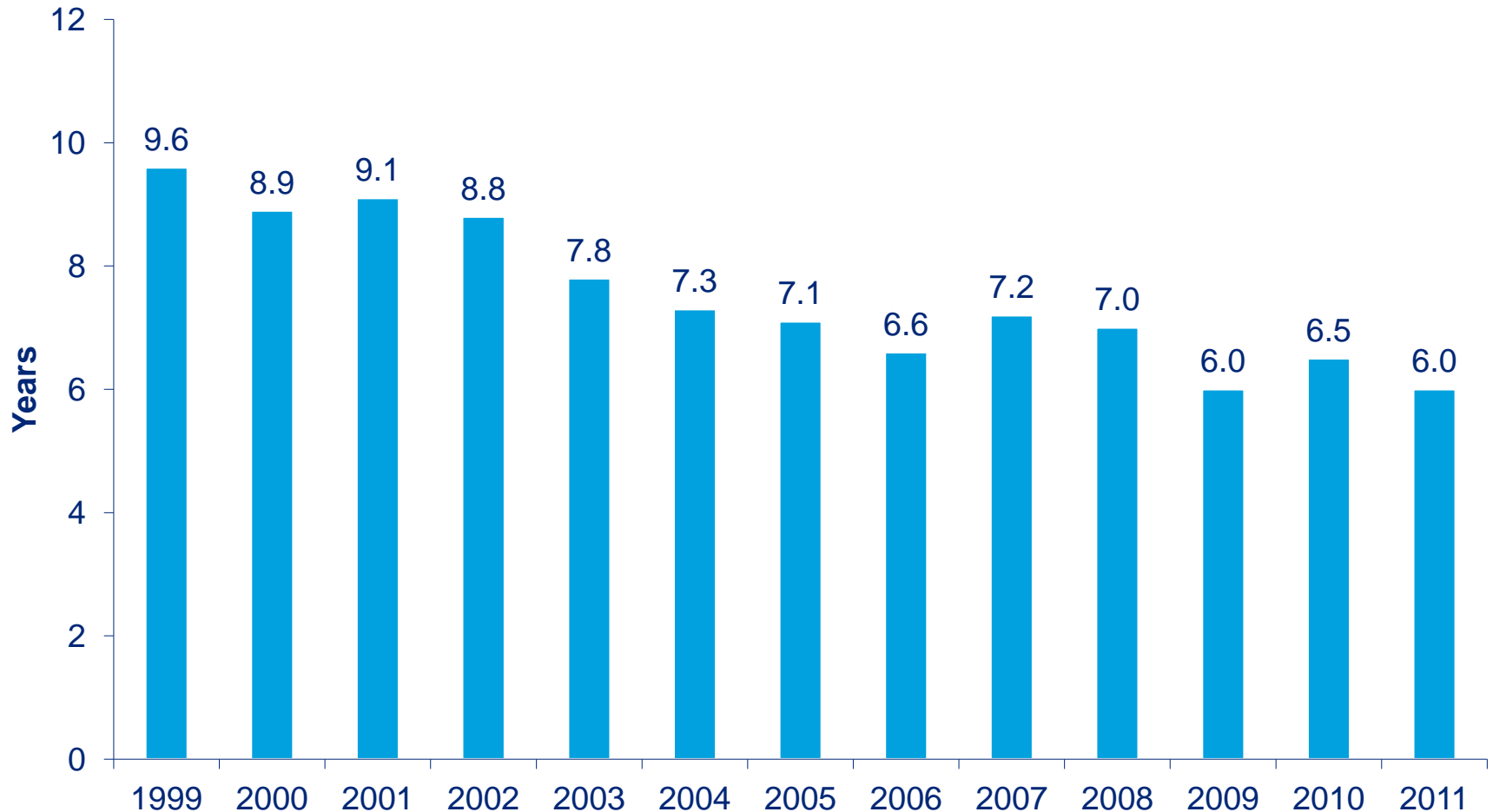
# New office development not viable in many UK cities

Office construction viability: End investment value v build costs



# Lease flexibility is a key factor

Average lease length (to first break or expiry)



## A real focus on the cost of occupying real estate



Average net area per office worker has decreased from **16.6 square metres** to **11.8 square metres** in little over a decade

# Thoughts

- More optimism
  - Worries about economic growth and volatility still dominate
  - Increasingly defensive strategies
  - Margins remain under pressure
  - Top priority is reducing costs
- 
- Uncertainty has real impact on developers and landlords
  - Increased flexibility...at what cost?



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