



# Corporate Real Estate Strategy:

## People, Places, and Progress

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By Kevin M. Beaudry, SIOR, MCRE

Over the last 10 years, the corporate real estate environment has changed dramatically. Today's larger corporate users continue to expand the performance expectations and scope of services required from their professional real estate service providers. These heightened expectations are increasingly being provided through a defined single point of contact that is dedicated to the account operating in an advanced information and technology environment.

In recent times, many people have been adhering to the old adage of "faster, better, cheaper." Industry leaders are becoming increasingly aware of the growing importance of following the new age concept of "place, space, and speed." Price, in a traditional sense, is becoming a secondary consideration to the greater and more complex concepts surrounding the total loaded cost of the strategic real estate decisions being made every day. In traditional broker terms, price or cost has been measured by such things as unit cost, NPV, and NER's, etc. While these traditional measures are very important to both providers of space and the end users, each side of the equation is being increasingly challenged to account for the total cost of each facility solution over its expected utilization period.

What is the total cost of today's commercial real estate transaction? How does a company truly measure this total loaded cost over the life cycle of the implied real estate commitment? These are very serious questions that require stra-

tegic and tactical direction in order to fully and completely address the big-picture economic issues.

For anyone involved in corporate real estate, and particularly those who can help lead the continued evolution of today's corporate real estate practice, it is becoming increasingly clear that those involved in driving new thinking will be handsomely rewarded through the creation of new service level standards, standards that will ultimately deliver defined and measurable bottom line value to their corporate customer base.

While some may say that we are living in the information age, and that information is power, it is more likely that today's smart service providers are becoming much more strategic and much more analytical in nature, with a view to offering customers much more sophisticated and informed advice. Continued success in the rapidly evolving corporate real estate world involves the anticipation of market changes, an in-depth knowledge of how corporate customers are attacking market share and, in particular, how they are now managing the highly valued commodities of brand, speed to market, and service excellence.

With so many new and emerging markets within what has truly become a real-time global village, the lines between 'markets' are much less defined and not limited to geographic lines. In the new economy, markets can simply be demand streams that are waiting to be tapped by the introduction of new products, new services and new distribution methods.


**“In the new economy, markets can simply be demand streams that are waiting to be tapped by the introduction of new products...”**



Following this most recent economic correction, the stage is now set for these new technologies, products, and service trends to roll out and dramatically influence the nature of work, where we do it, and how quickly decisions will be made.

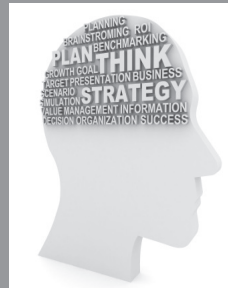
Just take a look at the advanced technologies being implemented in the emerging markets of India and Asia. So much is being learned from these “emerging tigers,” and yet, rather than worrying about this as a competitive threat, we must all recognize and acknowledge that they too have much to learn about North American know-how in service delivery, management skills, and the development expertise required to manage growth in the throws of constant and never-ending change.

Historically, a company’s cost of occupancy (i.e.: its lease costs or capital real estate costs and related amortization thereon) has always been a focus for cost containment and cost minimization initiatives, as these costs have always had a direct impact on the “bottom line” and a company’s valuation model. Strategically focused corporations, however, now see creative opportunities to utilize real estate assets as a “strategic tool” used or deployed to attract, motivate, retain, and challenge their “best and brightest” employees to promote “Brand” and to demonstrate the corporation’s commitment to its values, vision and social responsibility. Historically, companies have always been focused on the wage and salary impacts that often represent the company’s largest expense. They also consider the overall impact of real estate decisions (typically long-term planning initiatives) on the economic efficiency and effectiveness of this significant combined expenditure.

It’s a very exciting time in the commercial real estate industry right now as companies of all shapes and sizes huddle to re-shape themselves to compete in the new economy and prepare for the stronger days around the corner. 

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Below are the four key models to success:



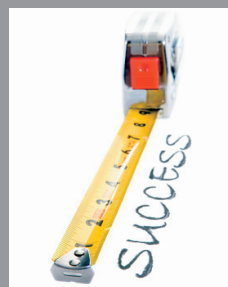
Strategic thinking & planning



Enhanced technical sophistication & deep market knowledge



Real time reporting & total accountability



The measurement of results – the continuous improvement model