

## Trend Study on Real Estate Management: Centrally Organized and Digital?

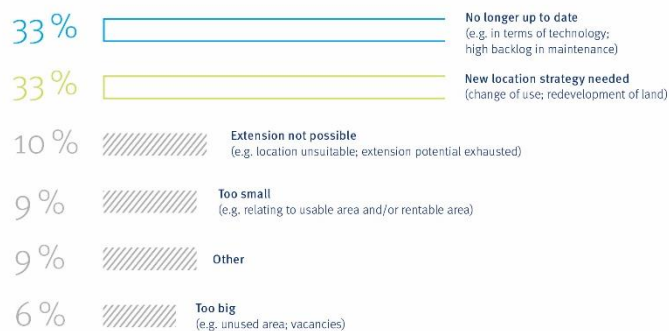
Real estate is the core business of property companies and binds much of the capital of corporates. The management of structures, processes and costs related to real estate therefore has a defining influence on both company forms. The new Drees & Sommer study documents trends and the opinions of people who have responsibility for real estate. The central results are that real estate management is not yet centralized in many corporates and that there is still much ground to make up in the areas of digital transformation and sustainability.

The basis of the study is a detailed survey of 200 persons with responsibility for real estate in corporates and property companies. 66 percent of the respondents work for corporates; 34 percent have a job in a property company. 29 percent of the participants come from the real estate sector and, 24 percent from industry. 15 percent are service providers; 12 percent represent banks and insurance companies. The rest come from retail, the public sector and other areas. About 24 percent of those surveyed are responsible for property portfolios of between 50,000 and 250,000 m<sup>2</sup>, 20 percent manage 250,000 to 1 million m<sup>2</sup> and 27 percent have portfolios between 1 and 5 million m<sup>2</sup>.

### Properties – development necessary

It seems that the portfolios held by many property companies and corporates no longer fulfill the current demands. A third of the real estate managers believe that their company's properties are no longer up to date in their technical facilities, building fabric or design. Another third

*Portfolio management – Where is the greatest need for action in properties?*



advocate location strategies such as changes of use and redevelopment of the land.

‘The goal is not only to maintain the properties at a high structural standard and take into account the very large number of requirements under building law. It is equally important to integrate digital and sustainable technologies’, explains Thomas Häusser, Partner at Drees & Sommer SE who is responsible for many projects in the area of real estate consulting.

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**Real estate management is still organized in a decentralized manner in corporates**

In view of this challenge, *Organization – What arguments are there for central real estate organization?*

for 30 percent of the responding corporates, the importance of central real estate management is greater if they have a large number of managed properties. Another 30 percent feel that transparency and standards offer significant advantages.

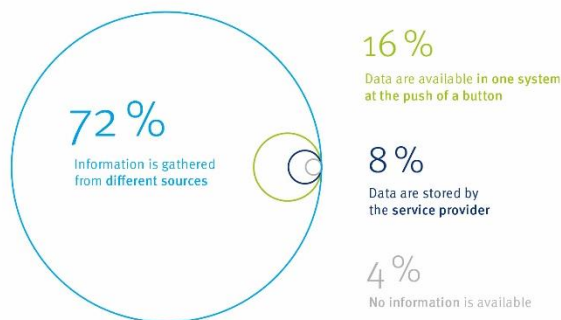


‘Real estate costs have a major effect on business companies. But real estate management is still decentrally organized in more than a third of the corporates,’ Thomas Häusser comments, and he recommends: ‘Rethinking is urgently needed. The larger and more complex the real estate portfolio is, the more important it becomes to carry out digitization and to make sure that information is available at the push of a button.’

**The potential of digitization**

Positive: the potential of *IT and digital transformation – Is information on real estate centrally available?*

digitization is increasingly recognized by real estate managers in both property companies and corporates. This is clearly shown by the results of the study. However only 9 percent of the participants stated that their core processes and business models have almost completely undergone digital transformation.



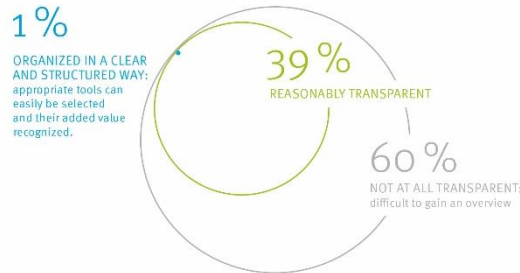
One reason for this may be that the handling of digital data is still not ideal in most cases. At present, three out of four people with responsibility for real estate have to gather real estate information from a variety of different sources. Only 16 percent have the relevant data available in a centralized system at the push of a button. 8 percent have the data stored by a service provider. 4 percent have no information.

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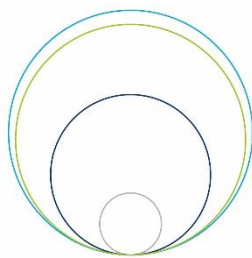
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To some extent, this may be due to the lack of transparency in the IT market: only 1 percent of real estate managers think that the market for digital tools, applications and platforms for real estate management is organized in clear and structured way. A significant majority of 60 percent feel that it is extremely intransparent.

*IT and digital transformation – How transparent is the market for digital tools, applications and platforms for real estate management?*



*Asset management – How important are digital building models for the operation of real estate?*



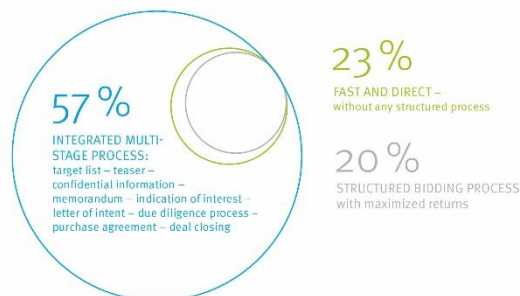
More than a third of real estate managers do not yet see any added value in using a digital building model for the operation of the buildings. 9 percent consider that such a model is the responsibility of a property manager.

‘Especially in practical work, asset and property management and the operation of buildings could benefit greatly from a digital building model. Before every acquisition, great trouble is taken to prepare a thorough and detailed compilation of all data and information that is relevant to the property – and this information is then mainly not used by the new purchaser’, the Drees & Sommer Partner adds.

**Tried and tested transaction processes**

As far as sales processes are concerned, real estate managers prefer tried and tested methods. In almost 60 percent of companies, the transaction follows a multi-stage process based on traditional procedures. Modern structured bidding

*Investment management – How do companies structure their transaction processes today?*



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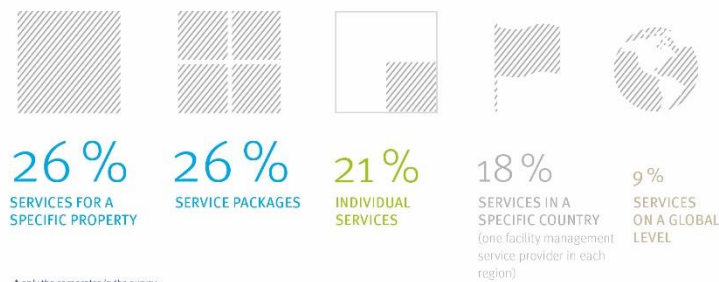
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processes still only play a subordinate role. 23 percent act quickly and directly – without any structured process at all.

**Facility management procurement by corporates – local providers are preferred**

The majority of corporates are skeptical about the global procurement of facility management services. In figures, this means that only 9 percent commission facility management services globally. 18 percent decide

*Facility management – How do companies procure their facility management services? (only the corporates in the survey)*

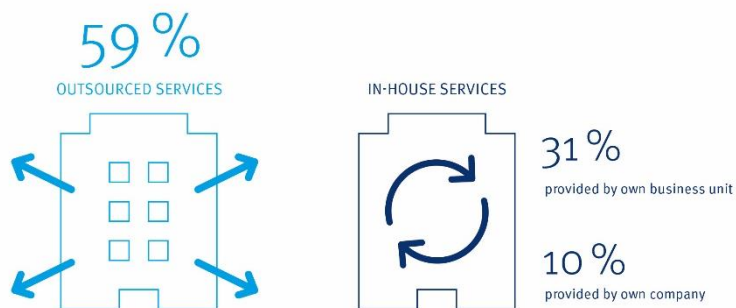


to procure such services in each individual country, so they have a different facility management service provider in every region. 26 percent prefer to procure services for each property, and a further 26 percent favor service packages. 21 percent choose the procurement of individual services. For Thomas Häusser, this indicates that there are currently very few service providers in the market which can offer facility management on a global level. On the whole, this means that the potential synergy from combining procurement over broad geographical areas is still unharnessed in many properties.

**Almost 60 percent of property companies outsource services**

Irrespective of the company size, the majority of property companies agree that renting and letting, purchase and sale, performance and risk management, and budgeting and reporting are among the most

*Property management – How do property companies provide their real estate management services? (only the property companies in the survey)*



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important services in asset management. The persons surveyed consider the control of service providers to be less important. 'In the light of practice, however, it is worth paying special attention to this area because about 60 percent of property companies state that they outsource such services', says Thomas Häusser.

### **Room for improvement in sustainability**

Sustainability does not yet seem to play a significant role for many respondents, even though it has greater weight in the sales process. As many as 41 percent of the real estate managers surveyed consider that buildings with sustainability certificates can be marketed better. Almost a third believe that the extra costs incurred for certification are balanced by a reduction in energy consumption.

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